

Algeria	6.00 Dn.	Israel	1.50 Dn.	Norway	6.00 Nkr.
Argentina	17.50 Ps.	Italy	1.00 Lira	Oman	0.700 Rb.
Australia	0.600 Dn.	Jordan	1.00 Dn.	Paraguay	0.600 Ps.
Bahamas	27.00 Bds.	Kenya	Shs. 16.00	Peru	0.500 S.
Belgium	35.10 Bfr.	Lebanon	1.00 L.L.	Rep. of Ireland	40 P.
Bolivia	2.00 Bs.	Lithuania	1.00 Lt.	South Africa	6.00 R.
Brazil	2.00 Dn.	Latvia	1.00 Lt.	Spain	166.66 Ptas.
Canada	1.00 Cdn.	U.S.	1.00 Dn.	Sweden	6.00 Skr.
Chad	100 F.	Luxembourg	30 L.F.	Switzerland	2.00 Sfr.
Czechoslovakia	2.00 Dn.	Malta	1.00 M.L.	Taiwan	1.000 Dn.
Denmark	5.00 Dn.	Mexico	25 Cts.	Turkey	1.200 L.
Egypt	1.00 Dn.	Morocco	5.00 Dn.	U.A.E.	6.50 Dhs.
Finland	4.00 Fm.	Netherlands	2.50 Dn.	U.S. Air Force	30.00
France	5.00 F.	Nigeria	1.00 N.	Yugoslavia	70 D.
Germany	2.00 Dn.				
Ghana	40 P.				
Greece	60 Dn.				
Great Britain	1.00 Dn.				
Hong Kong	1.00 Dn.				
India	1.00 Dn.				

U.S. Said to Weigh A 40% Rise in Aid To Central America

By Philip Taubman
New York Times Service

WASHINGTON — The Reagan administration is considering a 40-percent increase in military aid next year to its allies in Central America, according to senior administration officials and a report prepared for the White House.

The proposal for the increase was made in a classified report outlining U.S. options in the region. White House officials said no decisions had been made about increasing U.S. involvement and called the report a working paper. They said it formed the basis for high-level discussions but did not necessarily

contain the final options now under consideration. Other administration officials said the report accurately reflected current thinking among senior officials.

The policy review occurs as Congress, which has resisted increases in U.S. involvement, is approaching final decisions on several Central American issues, including a supplemental military assistance request for El Salvador for the current fiscal year and a proposal to cut off covert aid to rebels in Nicaragua.

Administration officials said final decisions about how to strengthen U.S. policy will depend in part on the outcome of these votes. The working paper says some of the restrictions under consideration in Congress would be "crippling" to administration policy.

The classified report, which was prepared by an interagency task force for a National Security Council meeting on July 8, said, "The situation in Central America is nearing a critical point." It said, "to accomplish U.S. objectives without the direct use of U.S. troops (although the credible threat of such use is needed to deter overt Soviet-Cuban intervention) provided that the U.S. takes timely and effective action."

Administration officials said a key recommendation of the task force — that the White House try to build a bipartisan base of support for its policies by appointing a special commission on Central America — had already been approved by President Ronald Reagan and would be announced this week, probably Monday.

The contemplated aid increases, which include a doubling of security assistance to Costa Rica, an 80-percent increase in aid to Guatemala, and increases of more than 30 percent in aid to El Salvador and Honduras, are part of a plan under review by Mr. Reagan that is intended to shore up a U.S. policy that officials increasingly believe is failing.

Other steps under consideration to produce "an invigorated strategy" for Central America, according to the report and senior officials, include the prepositioning of U.S. military equipment in Honduras for use in a crisis and the improvement of Honduran air and naval installations.

In addition, the report, which deals primarily with security issues, recommends proceeding with a Central Intelligence Agency plan to have Salvadoran troops operate in Honduran territory to attack Salvadoran guerrilla sanctuaries, and calls for the immediate development of a plan of action for upgrading the effectiveness of the Salvadoran military.

It also advocates the continuation of covert activities against the Nicaraguan government and the pursuit of a diplomatic strategy intended to isolate Nicaragua.

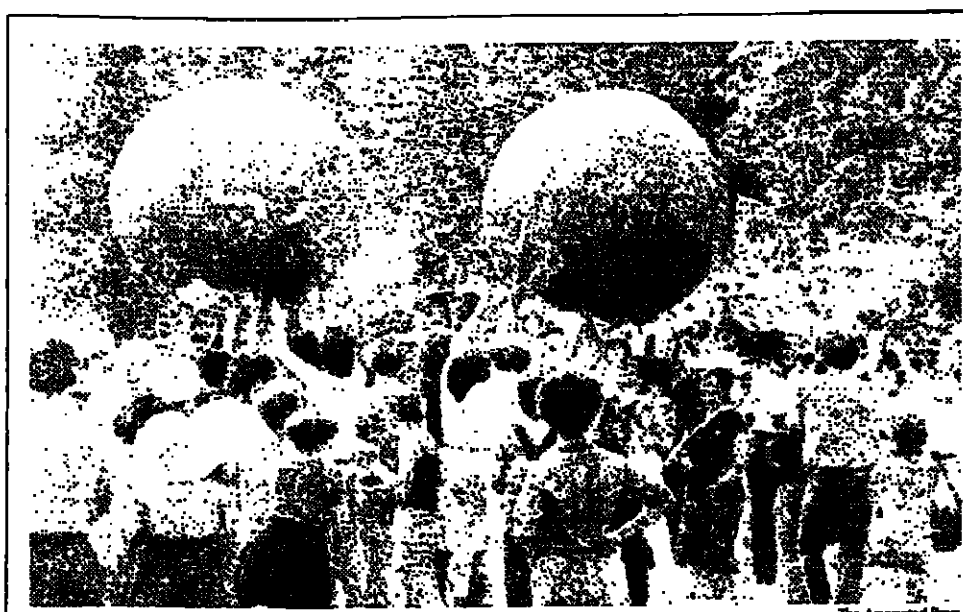
The task force paper, which paints a fairly bleak picture of Reagan administration accomplishments in Central America and is highly critical of the Salvadoran armed forces, was indirectly obtained by The New York Times from an administration official who is said to fear that the current policy is leading toward a major increase in U.S. military involvement in Central America.

The paper, stamped "secret," also brought into the open serious, long-standing policy differences between the State and Defense departments.

These include a fundamental debate over whether the United States risks a major foreign policy defeat if it pursues current policies in Central America without full support from Congress.

The Defense Department, according to the paper, contends that it would be better to pull out of Central America altogether rather than face a possible failure by trying to protect U.S. interests with halfhearted measures.

The policy review is taking place six months after the administration conducted a comprehensive examination of its Central America strategy.



FOR DISARMAMENT — In a protest in London's Hyde Park against nuclear arms, demonstrators passed inflatable globes labeled 'Fragile — Handle With Care' along a human chain that stretched between the Soviet and U.S. embassies. Page 2.

W. Germans Look With Foreboding to 'Hot Autumn'

By Henry Tanner
International Herald Tribune

BONN — The West Germans, officials and others, began closing up shop this weekend and heading for the mountains or the sea for a quiet summer before the "hot autumn" they all expect. As they leave, many of them are in a mood of foreboding.

It is now generally assumed that U.S.-Soviet negotiations in Geneva will not make sufficient progress and that the first new U.S. missiles will be deployed before the end of the year.

The stage is set for anti-missile, anti-war marches, sit-ins and other demonstrations. Almost inevitably, there will be some violence. Even though leaders of the peace movement say they want the protests to be nonviolent. The question is whether the movement's leaders and the police can contain the violence.

A recent test in Krefeld, near Düsseldorf, turned out negatively as a minority of about 200 youths

bent on violence were able to disrupt a peaceful demonstration during a visit by Vice President George Bush of the United States.

Leaders of the Social Democrats, moreover, have decided that the party will be active in some of the demonstrations, according to Peter

NEWS ANALYSIS

Gloz, the party manager. Major labor unions, after some hesitation, made similar decisions. This has added a new dimension to the coming confrontation.

It will be the first time in a generation that the country's second largest party will carry its political action outside parliament. Politicians on both sides concede that this will be the "acid test" of future relations between government and opposition.

Foreign diplomats who after the March election predicted a "polarization of the country" now say their fears have deepened. The consensus that has existed on questions of national security is in the

process of being shattered, a scholar, Karl Kaiser, has warned.

The left wing of the Social Democratic Party has been gaining ground in the debate that followed the last election.

Insiders predict that the party, at its congress in November, will either say no outright to the deployment of the U.S. missiles or will at least plead for a postponement pending further U.S.-Soviet negotiations.

"We need a new security concept," a party official said, reflecting this trend. "In three years' time, no young European will any longer accept the present concept of the balance of terror, and conscription armies, as a result, will become impossible."

Former Chancellor Helmut Schmidt, still the most popular politician in West Germany, will have a large influence on the party's decision. He was one of the sponsors of the NATO decision in 1979 to deploy the U.S. missiles.

But the left wing of the party hopes that in the fall he will say

that things have changed since then and that new approaches to the problem must be found. If Mr. Schmidt comes out openly against the new position that is being prepared by the party, the political damage would be enormous.

As the summer exodus starts, the most frequently used words in political conversations are "continuity" and "about-turn." In other words, how much has West Germany changed since the March election?

The Christian Democrats, who won, had promised to turn the country around after 13 "disastrous" years under their opponents. The Social Democrats used the term "about-turn" to charge that Mr. Kohl intended to reverse everything that had been progressive and liberal.

Four months later, a real about-turn has taken place only in the field of civil rights, where Interior Minister Friedrich Zimmermann, the country's most aggressive law-and-order advocate, appears to have been given a virtually free

hand by Chancellor Kohl, who himself likes to be seen in a more benign light.

A high government official who was asked whether Mr. Zimmermann was an embarrassment to the government said, "No, but he does go too far in his public statements sometimes."

Mr. Zimmermann is the sponsor of a new law under which a participant in a demonstration that turns violent is subject to criminal prosecution unless he or she can prove to have actively tried to prevent violence.

Mr. Zimmermann's critics accuse him of finding citizens "guilty until proven innocent" and they say that he has given new currency to the old German phrase that suspects who are "caught together must be hanged together."

Gerhard Stoltenberg, the finance minister, and Otto Lambsdorff, the economics minister, are accused by the opposition of being "Thatcherites," but Mr. Kohl has also ap-

(Continued on Page 2, Col. 4)

Chad Bars Cease-Fire Until the Libyans Stop Supporting Insurgents

NDJAMENA, Chad — The Chadian government will not agree to a cease-fire or talks to end the civil war until Libya stops its involvement in the fighting, a government official said Sunday.

The information minister, Soumaila Mahamat, said another precondition for a cessation of hostilities was that the Organization of African Unity's ad hoc committee on Chad be reactivated.

Mr. Soumaila was responding to appeals Saturday from the OAU's nine-nation working committee for a cease-fire, noninterference by foreign powers, and talks leading to national reconciliation.

The ad hoc committee, distinct from the working committee that met Saturday in Addis Ababa, was formed in 1977. It still exists but has not met during the latest fighting between President Hissene Habre's army and the rebel forces of Goukouni Oueddei.

The Chadian government insists that Libya controls the rebels and is responsible for their actions. It therefore refuses to negotiate separately with Mr. Goukouni, a former president of Chad.

"The rebels and Libya are structurally connected," Mr. Soumaila said, in what amounted to a restatement of the government's previous position.

Mr. Habre's government has consistently favored using the ad hoc committee, set up to examine the long-standing quarrel between Chad and Libya over frontiers and other issues, to mediate in the conflict.

Saturday's communiqué by the working committee urged Mengistu Haile Mariam, the OAU chairman, to use his good offices, including a possible reactivation of the ad hoc committee, to end the hostilities.

The official Chadian press Saturday rejected any idea that factions existed in Chad that should discuss the conflict.

An official source of the foreign liaison bureau "warmly welcomed" the OAU statement, saying it "conveys the OAU's determination to deal with the Chadian problem within the African framework, especially considering that the Chadian problem is in reality an internal one which depicts the struggle for power between the different Chadian factions."

Prisoner Presented
The Chadian authorities presented to Western journalists Sunday a barefoot, frightened-looking black youth who said he was a Libyan Army corporal taken prisoner last week in northeastern Chad.

The Associated Press reported that the youth characterized himself as a reluctant recruit who was

sent last month to a rebel base in northern Chad.

The prisoner said he carried no Libyan identity card and that he had been instructed by superiors to deny his nationality if captured.

The prisoner said he was told their mission was to liberate Chad.

(Continued on Page 2, Col. 5)

Socialist International Leaders Push Managua to Liberalize, Sources Say

By Juan de Onis
International Herald Tribune

RIO DE JANEIRO — Leaders of the Socialist International have sent what one Latin American political source said was an ultimatum to Nicaragua's Sandinista leaders to move promptly to establish pluralist democracy or face a loss of support from the group.

A letter containing four demands that would soften the Marxist orientation of the Managua regime was sent to the Sandinista commanders after a meeting last week in Madrid attended by Prime Minister Felipe Gonzalez of Spain; Willy Brandt, the former West German chancellor; Carlos Andres Perez, former president of Venezuela; and Daniel Oduber, former president of Costa Rica.

The Socialist International provided arms and money, as well as political influence, to support the Sandinista uprising that toppled the dictatorship of Anastasio Somoza in 1979.

Sources familiar with the outcome of the Madrid meeting said the Socialist International had indicated that it was prepared to withdraw its support from the Sandinista regime unless the original goals of the revolution, which included the establishment of political democracy, were implemented promptly.

The sources said the Madrid decision reflected concern over growing evidence of U.S. military support for anti-Sandinista guerrillas operating out of Honduras. Those attending the meeting reportedly believe there is imminent danger of an open military conflict that would have destabilizing effects throughout the region.

The Socialist International strongly supports the efforts of the so-called Contadora Group, which comprises Mexico, Venezuela, Colombia and Panama, to help contain conflict in Central America by working out a regional peace plan.

The letter sent to the Sandinista regime indicates that the Socialist International leaders believe the Nicaraguan leadership is jeopardizing the international support it has outside the Communist world by delaying a democratic election.

The sources said the letter called for four immediate moves by the Sandinista leadership:
• An announcement that general elections would be held next year, rather than the 1985 date that Managua has failed to hold.
• Appointment of a constitutional commission, with representation from all political sectors, to draft a constitution that would provide guarantees for a pluralist political system based on free elections.
• Prematuration of an electoral law that would provide guarantees of the existence of a wide range of parties, some of which are now outlawed.

Some members of the Reagan administration are said to hope that U.S.-backed Nicaraguan guerrillas will trigger a popular uprising against the Sandinista regime, neutralizing Cuban-backed military forces in Central America and thus preventing the Salvadoran guerrillas from negotiating from a position of strength.

Immediate restoration of freedom of the press, which has been severely curtailed.

A copy of the letter reportedly was sent to President Fidel Castro. Cuba has provided military equipment and advisers to the Sandinistas, as well as thousands of doctors and teachers.

The letter makes no mention of Nicaraguan support for the leftist guerrillas trying to overthrow the U.S.-backed government in El Salvador.

The Socialist International favors an opening of negotiations between the political arm of the Salvadoran guerrilla movement, the Revolutionary Democratic Front, and the government of President Alvaro Magaña, on the condition that a cease-fire be declared and supervised elections held.

The Salvadoran government and the Reagan administration are believed to want to improve Salvadoran military control over key areas of the country before entering into any talks.

Some members of the Reagan administration are said to hope that U.S.-backed Nicaraguan guerrillas will trigger a popular uprising against the Sandinista regime, neutralizing Cuban-backed military forces in Central America and thus preventing the Salvadoran guerrillas from negotiating from a position of strength.

Latin Leaders Hold Summit On War Fear

4 Presidents Believe 'Time Is Running Out'

The Associated Press

CANCUN, Mexico — The four presidents of the Contadora group's member nations met for the first time on Sunday hoping to find a peaceful solution to escalating political violence in Central America before a regional war erupts.

The immediate goal of the summit in this Caribbean resort is "to avoid an armed conflict in the Central American zone," the Mexican foreign minister, Bernardo Sepúlveda, said Saturday.

Presidents Miguel Hurtado de la Madrid of Mexico, Luis Herrera Campins of Venezuela, Belisario Betancur of Colombia and Ricardo de la Espriella of Panama met as the threat of war between leftist Nicaragua and U.S.-supported Honduras intensified.

A diplomatic source, who spoke on condition that he not be named, said the presidents decided to hold a summit because "time is running out."

"We have to shift the momentum from a military solution to diplomacy," he said.

Nicaraguan insurgents, who receive support from the United States, use Honduran territory as a base for their fight, and there have been reports of a massing of troops by both sides along the shared border.

The Contadora group is named after the Panamanian island where the nations' foreign ministers met in January to form the association. They have gathered five times since, sometimes with the foreign ministers of Central American countries.

The diplomatic source said the four presidents are considering sending their foreign ministers to the United Nations next week to underscore their fears.

The Contadora group has urged an end to the arms buildup in Central America and the withdrawal of all foreign military advisers, including American military trainers aiding El Salvador's rightist government, and Cuban advisers in Nicaragua.

The Reagan administration publicly has expressed hopes that the Contadora group will be successful in its bid to bring a negotiated peace to the troubled region. Privately, however, both American and Mexican officials have expressed doubts about the group's chance for success.

The group also is urging the industrialized powers to provide financial aid and to invest in Central America's poverty-stricken countries as a way to help them achieve economic development and political stability.

Mr. Betancur and Mr. de la Espriella arrived Saturday and held separate talks with Mr. de la Madrid, who convened the summit. Mr. Herrera Campins arrived Sunday and met privately with Mr. de la Madrid.

Draft Urged in Nicaragua

The head of the Nicaraguan Army called for the drafting of hundreds of thousands of people to meet the threat of invasion. It was reported Saturday in Managua, according to United Press International.

Defense Minister Humberto Ortega, addressing an army promotion ceremony Friday, called for a military draft system that would result in "the massive incorporation of hundreds of thousands of patriots."

He said the army had sent a request for a draft law to the Council of State, but he gave no details on whether military service would be obligatory, whether it would include women or what age groups would be affected.

The Marxist government claims that attacks by about 8,000 U.S.-backed insurgents and the threat of war with U.S.-allied Honduras, and possibly with the United States, justifies Nicaragua's growing militarization.

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■ The U.S. tries its plan for arms sale to Taiwan. Page 3.

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Pravda Calls U.S. Stand On Missiles One-Sided, Presses a Soviet Plan

By Serge Schmemmann

New York Times Service
MOSCOW — The Soviet Union has charged that recent U.S. proposals at the strategic arms talks in Geneva were one-sided efforts to gain military advantage, and Moscow pressed its own plan for an overall limit on all types of warheads.

An editorial in Pravda, carried Friday by Tass, criticized in detail the proposals set forth last month by President Ronald Reagan but offered no details of the Soviet plan. Although reports from Washington said the Russians had made some new proposals at the Geneva talks, Western diplomats said the Pravda editorial did not appear to represent any movement from previously publicized Soviet positions.

Pravda said that Moscow favored a "comprehensive approach," placing an overall limit on warheads however they might be deployed. "All nuclear warheads would be equally taken into account within the framework of the agreed-upon ceiling," it said.

U.S. Shifting Priorities at Federal Labs

By John Wilke

Washington Post Service
WASHINGTON — The Reagan administration plans to curtail research on alternative energy sources and expand efforts to develop new weapons at several of the nation's federal laboratories, according to the White House science office.

The move is part of the administration's effort to redefine the role of the labs to make them more responsive to national needs and more in tune with administration priorities. Dr. James G. Ling, executive director of the president's Office of Science and Technology Policy, said Friday. The labs have an annual budget exceeding \$15 billion.

In a one-year study of the problems and potential of the government's research facilities, a presidential panel found that many of the 755 U.S. labs suffered "serious deficiencies" that compromised the quality of their research and their cost-effectiveness. The panel's report, released Friday, recommended greatly expanding access to the labs by private industry, universities and the military.

The panel was chaired by David Packard of the Hewlett-Packard Co. It included Dr. Edward Teller, an advocate of stepped-up nuclear weapons development, Dr. Albert Wheeler of Hughes Aircraft Co., and physicist from Yale University, the Massachusetts Institute of Technology and the University of Illinois.

Although the panel did not recommend closing specific labs, the report said funding at individual facilities should be allowed to increase or decrease, "to zero if necessary," to meet national needs.

"This isn't a budget-cutting exercise, it's an effort to get a better return on our investment," Dr. Ling said. He said many of the labs had had management problems and an uncertain sense of mission as successive administrations set new research priorities.

For example, he said, some of the labs traditionally associated with weapons work, which began doing research during the Carter administration on alternative energy sources, would be steered back to their original mission.

The panel's report concentrated on laboratories operated by the six U.S. agencies with the greatest share of research funding: the departments of Defense, Commerce, Agriculture, Energy, and Health and Human Services, and the National Aeronautics and Space Administration.

Among the panel's recommendations are the following:
• Relaxing federal procurement requirements to encourage more cooperation with private industry.
• Legislative changes to free the labs from the constraints of the Civil Service system. The panel found that almost all of the labs, both government-operated and contractor-operated, "suffered serious disadvantages in their inability to attract, retain and motivate scientific and technical personnel" because of the Civil Service system.

• Multiyear funding so that programs and staffing for the labs can be properly planned.
• External oversight by a committee on which industry and university interests would be well-represented.
• Appointing facility directors for specific lengths of time and holding them "accountable for the quality, relevance and productivity of the laboratory."

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entertainment, fashion, shopping, beauty,
health and the home.

On the TRIB's monthly
STYLE PAGE
next Thursday, July 21.



Travelers peer behind the wall erected at the bombed Turkish Airlines counter.

6th Victim Dies From Bomb Attack At Orly Airport

Compiled by Our Staff From Dispatches

PARIS — A sixth person has died from the bomb attack Friday at Orly Airport claimed by Armenian extremists. Sixty persons were injured in the attack.

The victim was a 24-year-old American student in Paris who also holds Greek nationality. He was seen off his Turkish fiancée at Orly. She was not at the Turkish Airlines counter

when the bomb, hidden in a suitcase, exploded, police said. Three French citizens and two Turks were killed.

The Secret Army for the Liberation of Armenia said it had planted the bomb. The group wants Armenian independence from Turkey and Turkish recognition of the massacre of Armenians in 1915. The bombing followed the slaying of a Turkish diplomat in Brussels by Armenian extremists Thursday.

Ara Toranian, the Paris-based head of the Armenian National Movement, a political group that backs the extremist group, said in an interview with the Journal du Dimanche that he disapproved of the airport attack. But he was quoted as saying that the group's leaders had been driven to "a strategy of despair."

6,000 Join Hands in London Protest Against U.S., Soviet Nuclear Arsenal

By Peter Osnos

Washington Post Service
LONDON — About 6,000 anti-nuclear protesters joined hands Saturday in Hyde Park in a human chain that linked the U.S. and Soviet embassies on the 38th anniversary of the first explosion of an atomic bomb.

The event was unusual in that it

was directed as much at the Soviet Union as at the United States. Identical letters were delivered to officials of the two embassies calling on the superpowers to declare an immediate freeze on nuclear weapons.

It was on July 16, 1945, that the United States first tested an atomic bomb in the desert near Alamogordo, New Mexico.

Large balloons representing the Earth were passed hand-over-hand across the mile and a half (2.4 kilometers) that separates the embassies, which are at opposite ends of the park.

The demonstration was organized by the Campaign for Nuclear Disarmament, the largest of Britain's anti-nuclear groups. Unlike most protests over the past year, this one was not specifically aimed at the planned deployment later this year of new U.S. medium-range missiles in Britain.

With deployment now widely accepted as a certainty, unless a U.S.-Soviet agreement on the missiles is reached in the Geneva arms talks, the disarmament group seems to be emphasizing again its broader opposition to nuclear weapons.

"We demand that you agree at once to an immediate freeze on all nuclear weapons," the letters addressed to the Soviet and U.S. embassies said, "as a prelude to making massive unilateral cuts in your nuclear arsenal, leading to multilateral and complete nuclear disarmament."

'Hot Autumn' Feared By the West Germans

(Continued from Page 1)

pointed a liberal and popular labor minister, Norbert Blum, who is resisting this tendency.

In foreign policy, the accent has been on continuity not change, according to foreign diplomats. Mr. Kohl speaks a different language than Mr. Schmidt, but much of the difference is tactical, they say.

In Moscow, Mr. Kohl aggressively stressed his closeness to President Ronald Reagan and almost flaunted his commitment to deployment of the U.S. missiles.

Peter Bönisch, the government spokesman, said: "We thought the more we stressed our integration in the Western alliance, the more seriously the Russians would treat us, and it worked."

At the same time, through a billion-dollar (\$84.1-million) credit given to East Germany in October, Kohl speaks a different language than Mr. Schmidt, but much of the difference is tactical, they say.

The new tone is not the monopoly of Mr. Kohl and his supporters. Hans-Jochen Vogel, his opponent in the election campaign, emphasized the "German interest" when talking about the U.S. missiles. The implication was that what might be good for the United States or even NATO may not be good for Germany.

Even in the peace movement, a special German national note can sometimes be detected. Its members point out that only Germany has been asked to deploy the new Pershing while the other European countries will take the slower cruise missiles, which are less objectionable to the Russians.

It is pointed out that West Germany will have no control over use of the weapons.

location of the two Germanys. He even asked the Russians how they would feel if someone built a wall through Moscow.

To this, the daily Frankfurter Allgemeine Zeitung wrote in an editorial: "The West must apply the values of national self-determination and human rights also to the German question."

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Lebanon, U.S. Plan New Talks

Teams to Seek Ways To Reassure Syrians

By Don Oberdorfer

Washington Post Service

WASHINGTON — The United States and Lebanon have begun work on a new diplomatic attempt to break the deadlock encountered by Secretary of State George P. Shultz on his recent Middle East trip, Foreign Minister Elie Salem of Lebanon said.

Mr. Salem, who conferred with Mr. Shultz for more than an hour at the State Department on Saturday, said afterward that U.S. and Lebanese diplomatic teams will engage in detailed discussions here Monday and Tuesday on "specific points" to be presented to Syria and Israel as well as to moderate Arab nations in the quest for withdrawal soon of all foreign forces from Lebanon.

Among the ideas being considered, Mr. Salem suggested, are ways to assure Syria that its security will be protected after its troops are withdrawn. If Damascus can be persuaded that tangible gains have been made, he said, it may be willing to reverse course and move toward withdrawal without formally accepting the recently negotiated Israel-Lebanon pact.

The initial discussions here will set the stage for meetings Thursday and Friday between President Amin Gemayel of Lebanon and top U.S. officials, including Mr. Shultz and President Ronald Reagan, aimed at producing "a timetable for action or for testing ideas within a very short period" through presentation to other Middle Eastern parties, Mr. Salem said.

A Washington visit next week by Prime Minister Mansour Bishara of Lebanon will provide an occasion for presenting new options to Israel.

Mr. Salem held out the possibility of a renewal of U.S.-Syrian discussions within the next few weeks, despite the stone wall that Mr. Shultz encountered in his five-hour session with President Hafez al-Assad in Damascus on July 6. "I think it is in the interest of both Syria and the United States to have a continuing dialogue," he said.

"We have a great sense of urgency. Our economy is threatened because of the stalemate. There is danger of demoralization of our population. ... There is danger of losing the national consensus," said Mr. Salem, who arrived in Washington amid reports of renewed fighting between ethnic and religious groups in Lebanon.

U.S. credibility in the Middle East and the validity of its commitments are at stake in the present phase of Lebanon's travail, according to Mr. Salem.

"For us time is of the essence," Mr. Salem said. "We cannot afford to say the month of August is the month of vacation when things are at a standstill. And the next meeting will be in September when the United Nations meets and the foreign ministers come to New York. We cannot think like that at all."

"We do not mind if one idea fails and then we try another. We do not mind if the process continues more than a month or two or three or four, provided all the time you are testing credible ideas, you are pursuing them and you are not just waiting for Godot."

At present, he said, a major problem is the "very close" alliance of Syria with the Soviet Union, which he described as "determined to foil American plans in Lebanon or any Middle East plan in which they are not a part."

Mr. Salem also said that Syria has fears about the Israeli-Lebanese agreement, believing that it "binds in the American presence to Lebanon" and "converts a big part of Lebanon into an Israeli protectorate."

New Fighting in Chief Region
Renewed Christian-Druze fighting in the mountainous east of Beirut Sunday shattered a 17-hour informal truce between the rival factions, United Press International reported from Beirut.

Officials of rightist Christian militias accused their Druze adversaries of opening artillery fire at two villages in the Chuf Mountains without provocation. Druze spokesmen were not available for comment on the clashes.

Security sources said the shooting was less intense than a six-hour artillery duel between the two sides on Saturday.

WORLD BRIEFS

Greek Aide Sees Limit to U.S. Bases

ATHENS (UPI) — Greece said Sunday that the administration in power in Athens in 1988 will be legally obligated to start closing U.S. military bases under the terms of the new agreement with the United States.

Commenting on the possibility that Prime Minister Andreas Papandreu could be voted out of office in 1985, the government spokesman, Dimitrios Maroudas, said the agreement reached Friday that controls the operation of four main bases and 16 secondary installations would become law after ratification. "Whatever government is in power in 1988 will be bound by law to execute its terms," Mr. Maroudas said.

The agreement, initiated Friday by the U.S. and Greek governments, will go into effect by Jan. 1, 1984 and will expire Dec. 31, 1988. Mr. Maroudas said that under the terms of the agreement, the Greek government would have to warn the United States in August 1988 that the dismantling of the bases must begin at the end of that year. Mr. Papandreu said Friday the United States will have 17 months to dismantle and close the bases after the expiration of the agreement.

Uruguayan Military Seeks '84 Vote

MONTEVIDEO (AP) — The military government has said that elections will be held next year and that power will be turned over to civilians in 1985 despite the failure of negotiations on a new constitution. In a message broadcast Friday night, the armed forces said they would dictate the terms of a new national charter unless representatives of the political parties agreed to work toward agreement on a constitution. The armed forces said the decision was the result of deliberations Wednesday and Thursday among active generals and admirals and the president, General Gregorio Alvarez.

The statement said general elections would be held in November 1984 and that power would be handed over to elected authorities March 1, 1985. There was no immediate reaction to the request that constitutional talks be resumed by the legal political parties.

Police Fire at Rioters in Londonderry

BELFAST (AP) — Police fired plastic bullets at rioters early Sunday when up to 100 masked youths, many armed with gasoline bombs, moved toward the center of Londonderry in Northern Ireland's seventh straight day of street violence.

They set one building afire and hurled about 60 bottles of flaming gasoline at police before they were dispersed, authorities reported. Officials said they had no reports of injuries and blamed the violence on supporters of the outlawed Irish Republican Army.

In another development, a British Army spokesman said experts defused a bomb Saturday night containing 400 pounds (180 kilograms) of explosives that was found beside a road in County Londonderry. It was similar to one that killed four Ulster Defense Regiment soldiers in their patrol car Wednesday.

Israel Seeks to Build Own M-1 Tank

WASHINGTON (UPI) — Israel has asked for permission to manufacture its own sophisticated M-1 battle tanks rather than buy the \$12 million vehicles from the United States, according to a secret General Accounting Office report.

The report also says the invasion of Lebanon last year provided Israel with an armaments bonanza, bolstering its arsenal with hundreds of captured Soviet tanks and artillery pieces and tons of munitions. The GAO report, issued publicly in an unclassified version on June 24, was made available to news organizations in a largely unexpurgated form by the American-Arab Anti-Discrimination Committee.

Six pages of the ordinarily highly secret information — mainly from the Central Intelligence Agency and the Defense Department — was not made available to the committee. The Justice Department, at the request of the GAO, has opened an investigation into how the committee got the report, which was prepared for Congress. The missing six pages of the original report, mainly dealing with the Arab-Israeli military balance, have been made available to United Press International. These pages report on the tank request.

Austrian City Orders Dioxin Moved

LINZ, Austria (AP) — City officials have ordered Chemie Linz, the last European producer of dioxin, to start ridding its pesticide plant of boxes full of the toxic chemical waste by Tuesday or face partial closure, according to news reports.

Officials of the company reportedly protested the order and claimed they needed at least 14 days to dispose of the dioxin, a byproduct of their manufacturing process. The waste is said normally to be shipped through West Germany for incineration on ships in the North Sea. Several newspapers have said that Bonn recently closed its territory to transports of the dangerous waste, reports denied by Chemie Linz officials.

Kurt Steyer, Austria's health minister, said Saturday he favored closure of the plant, but he did not elaborate. Environmentalists in the region, in northwestern Austria, have recently stepped up their campaign to end dioxin production in Linz.

Walesa Assails Proposed Regulations

WARSAW (AP) — Lech Walesa, the leader of the banned Solidarity trade union, says the Communist government is further alienating the Polish people by preparing tough new regulations to replace martial law.

Mr. Walesa, returning Saturday to Gdansk from an unauthorized vacation, said in a telephone interview that he would continue defying the authorities by extending his vacation until Aug. 1.

Mr. Walesa said that the new laws being prepared by the Polish parliament would "widen the gulf dividing this society." The regulations, which are expected to be passed by parliament this week and replace martial law, would tighten controls on workers, students and academics.

Hijacked U.S. Airliner Lands in Cuba

MIAMI (Reuters) — A Delta Air Lines Boeing 727 airliner hijacked over Florida with 100 passengers and seven crew members aboard landed safely Sunday in Havana, U.S. officials said.

A spokesman for the Federal Aviation Administration said that at least three men had hijacked the plane, which was on a flight Sunday morning from Miami to Tampa.

It was the third airliner hijacked this month and the seventh hijacked this year while flying into or out of Miami, officials said.

For the Record

MOSCOW (Reuters) — The Soviet Union has appointed its former envoy to Poland, Boris Arisov, to the post of deputy foreign minister, Tass said Sunday.

VIENNA (Reuters) — Cardinal Franz König, 77, the Roman Catholic archbishop of Vienna, was quoted Sunday in the independent daily Neue Kronen-Zeitung as saying he will retire after a visit to Austria by Pope John Paul II in September.

LISBON (Reuters) — Portugal and the United States will resume negotiations Monday on renewal of the lease on the U.S. air base at Lajes in the Azores, five months after the previous agreement expired, according to political sources.

Soviet Pentecostals Are Said to Get Visas Salvadoran Labor Seeks Vote Delay

(Continued from Page 1)

but with hopes of moving toward a more constructive relationship.

The document is a follow-up step to the Final Act of the 1975 Helsinki conference on European security and cooperation, which was signed by the United States, Canada, 32 European nations and the Vatican.

The Helsinki document provided for measures to enhance security, economic cooperation, human rights and a flow of ideas and people between East and West.

The Madrid agreement also sets up a follow-up meeting in Stockholm next January "to work out detailed measures to reduce the risk of surprise military attack." An agreement is to be negotiated calling for states to notify others of certain maneuvers.

Mr. Kampelman emphasized that the notification measures to be adopted at Stockholm "will apply to all of the European portion of the Soviet Union, right up to the

Ural Mountains, rather than only the 150-mile band [on the western border] provided for in the Helsinki Final Act."

A series of other follow-up meetings will include two dealing specifically with human rights and human contacts.

Mr. Kampelman said that the Madrid document would add "important new provisions" to the Helsinki accords that "deal with the rights of workers to organize, with human rights, with Helsinki monitors, religious rights, human contacts and family reunification, access to diplomatic and consular missions, information, rights of journalists and measures against terrorism."

The U.S. delegate also said that in light of the Polish situation, new language on trade unions was obtained in the document.

"It clearly states that participating states 'will ensure the right of workers freely to establish and join

trade unions, the right of trade unions freely to exercise their activities and their rights," he said.

Language was also obtained, Mr. Kampelman said, to protect individuals trying to monitor a country's compliance with the accord.

The president, in his statement on the compromise, said: "We have agreed to this concluding document, as we did in 1975, to the Helsinki Final Act itself, with no illusions about the nature of the Soviet Union or about the system which it seeks to impose over much of Europe."

"We will sign it with the hope that it will serve as a step toward achieving our objective of a more stable and constructive relationship with the Soviet Union."

"We must all consolidate and build on these gains. We must ensure that good words are transformed into good deeds and the ideas that they embody are given concrete expression."

SAN SALVADOR — El Salvador's largest labor organization has urged postponement of the presidential elections scheduled for later in the year and said a proposed constitution would perpetuate the violence here.

A statement released Saturday by the Popular Democratic Union said the government should delay elections until 1984 to encourage leftists to participate in the voting.

"We reiterate our call for dialogue so that a political space can be guaranteed to the conflictive sector so that it can participate in future elections," said the statement signed by five groups claiming to represent about 500,000 laborers. President Alvaro Alfredo Magaña said last week the elections would probably be held the second or third week of November.

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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

More Economic Games

The players have been shuffled but the economic policy games go on — especially the M-games. Liberal economists, newly allied with White House pragmatists, want the Federal Reserve to encourage recovery by letting the money supply, as recorded in M-1, its most basic measure, grow faster than planned. They point out that M-2, an alternative measure of money, is well within the target range.

On the other side are orthodox monetarists, allied with Wall Street conservatives, who plead for caution. Better a slow recovery, they say, than having to cope again with inflation.

Liberals have the edge in this narrow debate. With so much excess productive capacity in the economy and real interest rates at record levels, inflation is not yet a serious threat.

What neither side acknowledges is the harsh truth that, no matter how achieved, growth contains the seeds of its own destruction.

Judging by American economic performance in the last 15 years, it has become virtually impossible to sustain both growth and stable prices. Unless the country begins to deal with the fundamental causes of stagflation — the failure of prices to go down even in stagnant years — every path to recovery will also be a path to more inflation.

Washington breathed a sigh of relief when Paul Volcker, the chairman of the Federal Reserve, clamped on the credit brakes in 1979. Most economists and politicians understood that monetary austerity would greatly reduce employment and output, but they were willing to pay the price because the political system had frustrated every other attempt to break the inflationary spiral.

Now that the inevitable recovery has begun, many of these same experts and politicians find it convenient to pretend that a new day

has dawned. They spread the idea that some clever combination of fiscal and monetary policies will allow the United States to reduce unemployment to acceptable levels without again triggering inflation. But since the '60s, each cycle of inflation and recession seems to have left the economy more susceptible to inflationary pressures, not less.

Conservatives argue, correctly, that more vigorous competition could make high growth and high employment compatible with stable prices. They thus want to reduce union power in concentrated industries and to end anti-competitive subsidies to and regulations over business. But resistance is fierce. The Reagan administration can barely resist further encroachments on competition, such as higher price supports for farmers and trade protection for the auto industry.

Absent more competition, the liberal alternative is some sort of "incomes policy" — preferably tax incentives that would punish both business and labor for inflationary wage settlements that drive up prices and invite still higher wages. Reaganites reject such "interference" with wages and prices, apparently on ideological grounds. Big labor is equally offended, fearing a loss of bargaining power.

There is, plainly, no mandate for reform, liberal or conservative, and in these circumstances the politician's instinct is to ignore the need for fundamental change until the next election, or until the one after that.

The inflation fever may not return until after the 1984 voting, but if the lessons of recent history continue to be ignored it will surely return, perhaps more terribly than before. And the recession needed to cool that fever will be more terrible still.

—THE NEW YORK TIMES

So Eagerly Running

Most of the candidates for the Democratic presidential nomination have been crisscrossing the country speaking to organizations that are likely to be powerful at the party's national convention next year. All six prepared 10-minute videotapes for delegates to the convention of the National Education Association in Detroit. Five went to Detroit to speak before the League of United Latin American Citizens. The same five then off to San Antonio for the National Women's Political Caucus, and the touring continues.

At each stop, each of the candidates seems to perform a little ritual. First comes denunciation of the Reagan administration and all its diabolical works. Then comes endorsement of just about every plank in the host organization's platform. That is accompanied by an effort to convince the audience that the candidate is sympathetic not only in his views but also in his choice of words. (John Glenn got in trouble with the women's caucus for using "man and wife" rather than the approved form, "husband and wife.")

There is something a little disturbing about this spectacle of candidates trying to convince diverse groups of their orthodoxy. The groups are seeking clues as to whether the candidates,

in their hearts, feel as strongly as the groups do about their particular issues. But that is better determined by scrutiny of a candidate's career.

The candidates, in trying to please or avoid displeasing the groups, may find themselves endorsing positions that will make organizing more difficult if they are nominated and governing more difficult if they are elected. And they may end up endorsing the groups the most important power a candidate has: that of framing the issues. Instead of using this early stage of their campaigns to articulate their ideas of where America should move and what government should do, they are trying to prove their adherence to others' positions and orthodoxies. But activists do not always reflect the views of those they purport to represent, much less those of voters or citizens generally.

Ronald Reagan won the 1980 election in large part because he articulated such a general vision: it was Jimmy Carter who was reduced to appealing to the separate concerns of various organized groups. Of course the Democrats should pay some attention to the groups they have been appearing before. But they do a disservice to their campaigns if they let those groups set the agenda.

—THE WASHINGTON POST

Nay to the Hangman

In America and Britain the polls show majority support for capital punishment, especially as a penalty for terrorism. Yet only hours after Irish terrorists killed four millionaires, the House of Commons overwhelmingly rejected a return to hanging. Why?

Debate matters. It is one thing to give a snap response to a poll question but quite another to weigh the moral, legal and political implications of judicial killing. Among advanced industrial nations capital punishment survives only in the United States, South Africa, Japan and the Soviet Union. So there is ample experience as to whether eliminating the death penalty weakens law enforcement.

In America, after the penalty had been effectively dropped in the 1960s, 38 states reimposed it in the 1970s. There have been 1,154 death sentences in recent years, yet violent crime has increased. Some would say it is because only seven persons have actually been executed. But the number of executions will never be very large.

Americans approve of official killing in theory but hesitate in practice. They want no mistakes. They want all mitigating factors explored. They don't really believe that a dozen more executions would deter murder. So they provide for endless appeals, an ordeal that adds to the cruelty of a brutal punishment.

What about terrorists? Since the British abolished hanging in 1965, the sectarian butchery in Northern Ireland has claimed 2,300 lives. But the rope is no answer for killers

who are prepared to die for a cause. So believes James Prior, the British minister responsible for Northern Ireland, and his opinion carried great weight with Parliament.

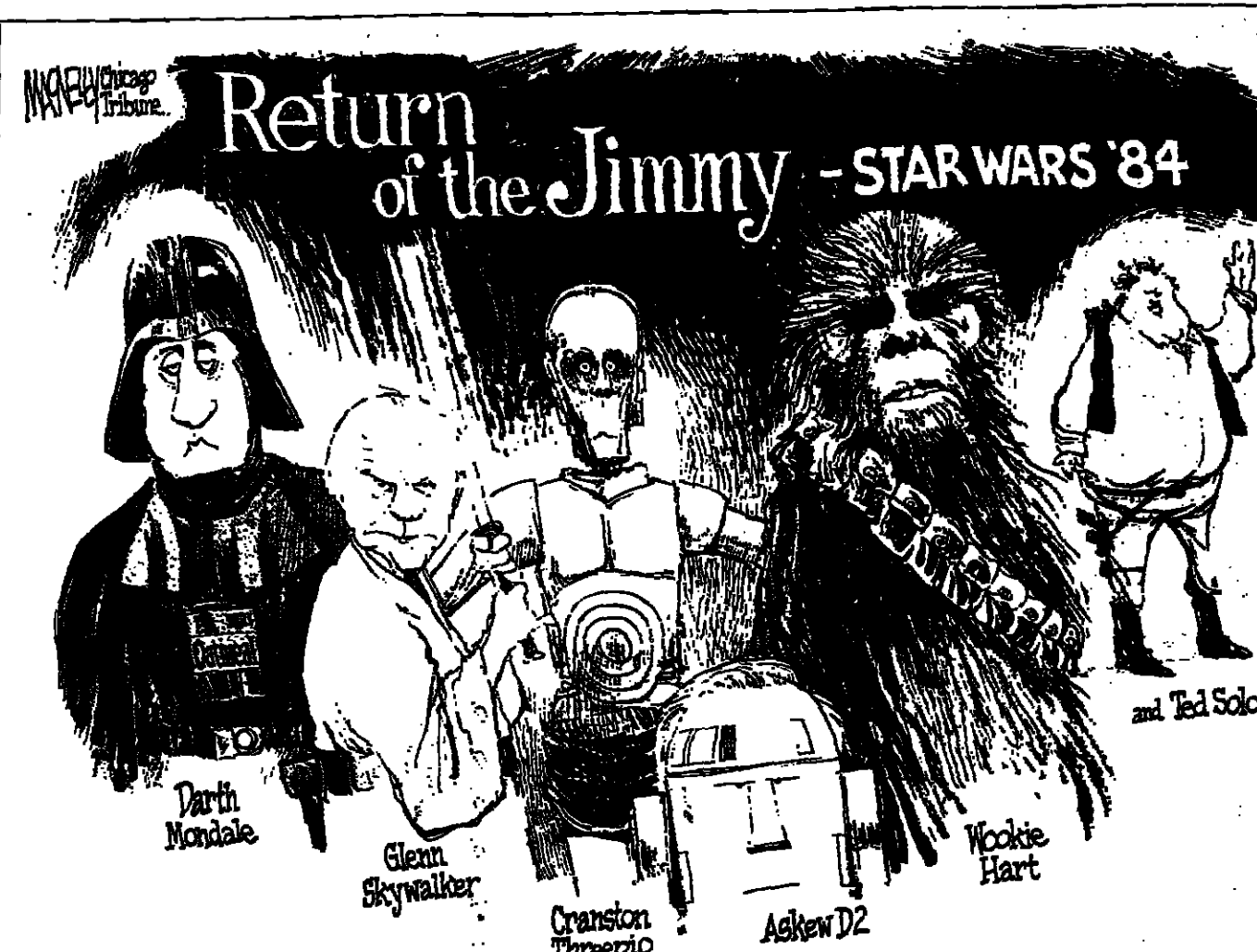
Indeed, for Irish Republican Army gunmen martyrdom is a weapon. Their heroes are the Easter rebels executed by the British in 1916. They seek treatment as ordinary criminals; 10 IRA prisoners inflicted capital punishment on themselves in 1981 because they did not receive special status as political offenders. It would be a favor to their movement to treat their crimes differently from common murder.

In Northern Ireland, moreover, as a result of the violence, trial by jury has been suspended. So judges alone, sitting in special courts, would have to order any death sentences. And since most IRA gunmen have dual British and Irish citizenship, executing them would embolden Britain in furious arguments with the Irish Republic and human rights groups.

Weighing those and other arguments, a Parliament with a 144-vote Conservative majority said no to the hangman. So would most people if they troubled to consider the matter carefully. Poll results favoring capital punishment measure emotion, not reason or information.

Taking a life for a life is illusory deterrence and primitive morality. What was said in Britain by Enoch Powell applies as well in every country: A penalty that doesn't deter, he said, is "an avoidable brutality that brutalizes the society that inflicts it."

—THE NEW YORK TIMES



Here Come the All-Purpose Alternatives

By David S. Broder

WASHINGTON — The race for the Democratic Party's presidential nomination has barely started and already the danger of a runaway candidate is evident. Every time the Democratic candidates get together to woo a particular constituency, they egg each other on to make more and more outlandish promises.

It started in Sacramento, California, in January. Competition for chairs from the "nuclear freeze" crowd at the party's state convention drove Senators Alan Cranston and Gary Hart and former Vice President Walter Mondale to debate the speed with which each would move to seek out Yuri Andropov for arms negotiations. One said he would be in Geneva to open the talks the day after he was sworn in; another said he would pick up the "hot line" to Moscow the very night he was inaugurated; and so on.

Next it was the bidding for the support of the teachers at the convention of the National Education Association in Philadelphia, where a dark horse, Senator Ernest F. Hollings, trumped everybody by pledging \$14 billion a year of new federal aid, including a minimum \$5,000-a-year pay raise for every teacher.

Then the tour went to San Antonio, Texas, for the National Women's Political Caucus, and the question was how far each would go in pledging to work for enactment of the Equal Rights Amendment the next time around.

Reubin Askew, the former governor of Florida, was absent, as usual.

Senator John Glenn, as usual, was restrained: He said he would "use the full power of the presidency to get that amendment passed by the Congress and ratified by the states," but he

made clear that he would stop at exhortation. Senator Hollings, as usual, was colorful and expansive. "I'd be an LBJ," he said. "I'd give a little and take a little, and we'd swap around and have that thing passed in a year's time."

Former Vice President Mondale was a bit wordier, but the message was the same. "I will do what's necessary to re-propose and ratify the Equal Rights Amendment," he said. "A president can be very influential. . . . I have worked in the White House . . . and you find that people come from all over the country wanting something, and as president I'll say, 'I'll help you reach an honorable objective if you'll go back to your state and deliver for the ratification of the Equal Rights Amendment.'"

Senator Cranston was even more explicit. "I will lobby and lead," he said. "I will use the leverage of the federal government." And then, referring to concrete promises and rewards for state legislators, he added, "If I am president, the Equal Rights Amendment would not fail for lack of a bridge or transportation project."

Said Senator Hart, not to be outdone: "The power of the presidency has not been used to the extent it can to achieve ratification. I think it extends not only to bringing normal political pressure to bear on members of the president's own party, but . . . I'm talking about specific federal projects to be used to bring around people who are on the fence on that or whose support is at least lukewarm."

Well, the Constitution gives the president no

direct role in the amending process, which is the province of Congress and the state legislatures. Walter Dellinger, a Duke University law professor who is an authority on that process, says that while examples abound of "whispering and deal-making" in the legislatures and Congress on constitutional amendments, he knows of only one case in which Washington used its "coercive powers" to secure ratification of amendments.

That was after the Civil War when Congress required the former Confederate states to ratify the 14th and 15th amendments as a condition for regaining their standing in the Union and their representation in Congress. "As a condition for a treaty of peace to end a bloody war," Professor Dellinger said, "it may well be defensible, but not as a precedent in any other circumstance."

But here are four men seeking the presidency who imply or baldly state that they would use the powers of that office not just to urge but to induce the state legislatures to change the fundamental charter of the country.

As a supporter of the Equal Rights Amendment, I have to wonder what that says about their confidence in the merits of the proposal. As a citizen, I have to wonder about their understanding of the proper relationship between national and state governments in the American system of federalism. As a journalist who lived through the Watergate era, I have to wonder what they learned about restraint on presidential power. And as a prospective voter in the 1984 election, I have to wonder what, if anything, some of these men would not promise in order to gain the prize of the presidency.

The Washington Post

The Bomb and the Lesser Powers: Lesser Evil?

By William Pfaff

BREST, France — The argument can be made that, while it is bad for big countries to have nuclear weapons, so long as they have them it is good for small countries to have nuclear weapons, too. This goes against the conventional wisdom of nuclear nonproliferation, but the conventional wisdom is often wrong.

Clearly, everyone would be better off if these weapons had never been invented. They are disproportionate to reasonable uses. They are a costly, frightful, intellectually unassimilable, morally untenable component in the armaments of nations.

A general in the British army is supposed to have said in November 1918, "Thank God, now we can get back to real soldiering." It was not a foolish remark. In the same way, nuclear weapons make real war impossible — serious warfare, which means limited warfare waged to achieve politically valid objectives.

This has been proved to the general

benefit since 1945. There have been several crises between the superpowers which in another day might have provoked a war. The archduke, so to speak, has been assassinated more than once since 1945. No war has taken place between nuclear powers, not only because their populations recoil from the idea but because the existence of nuclear deterrent systems has made it too dangerous to begin something that might slip catastrophically out of control.

But the superpowers have not stopped with simple deterrence. They have tried to find "usable" nuclear systems and "extendable" (i.e., to allies) deterrents. Thus NATO committed itself to the threat of nuclear first use in the 1950s, and to "flexible response" in the 1960s, while the Soviet Union has produced a doctrine of nuclear war-fighting and war-winning, and is committed to the idea

that nuclear weapons cannot be excluded from a war in Europe.

The result has been steadily larger and more complex nuclear systems, but a diminished popular sense of security, at least in the West.

U.S. nuclear systems tend no longer to reassure Americans, or the allied public, but to disturb them, contributing to a sense of contingency and vulnerability. That is why the peace movement has again become an important factor in West European and U.S. affairs.

The peace activists' remedies to the situation may be politically unsophisticated, credulous with respect to Soviet policy, or willfully indifferent to historical evidence in presuming that unilateral Western measures of arms reduction would be reciprocated by Moscow. Never mind. They seem to offer the possibility of constructive action to millions of people who are deeply and justifiably distressed.

Among Americans professionally engaged in strategic analysis and arms control, it is usually taken for granted that the superpowers can be counted upon to act responsibly, since so much is at stake for them if they err. It is supposedly another matter for the smaller states.

Admittedly, the prospect of Libya's Colonel Qaddafi or the late Emperor Bokassa of Central Africa possessing a nuclear bomb is pretty frightening. But in the historical record national size has not equalled responsibility, and the leaders of small countries have rather more reason to fear the consequences of war than those of the great nations, which have elaborate defenses as well as deterrent preparations.

The government of a small country cannot seriously expect nuclear weapons to serve it as more than a deterrent or a defense in extremis. It is difficult to write the scenario by which South Africa, Israel, India or Pakistan probably makes use of nuclear weapons in other than the deterrent-defensive-retaliatory mode, responding to mortal threat.

Small power systems are of their nature passive and reactive. They thus tend to be stabilizing rather than destabilizing. They add to the problems of the major powers, contributing to the complexity of calculation required of anyone contemplating the aggressive use of nuclear threats. The Soviet Union's current insistence that French and British deterrents be included in medium-range missile negotiations is evidence of how seriously they are taken in Moscow.

Because they are deterrent they are inherently limited. Britain's government finds that a small submarine missile force is sufficient to the country's needs. The French nuclear force is larger, but fundamentally simple: a secure submarine force, a small land-based missile force which

The Pope, The Poles And Jews

By Leopold Unger

BRUSSELS — It lasted only a few seconds and the international press must have been looking for silence that bore a burden of 10 centuries: Pope John Paul II stopped at the monument to the heroes of the Warsaw Ghetto, knelt down, shut his eyes and bent his head in prayer.

The pope's silence spoke for 1,000 years of common history shared by Poles and Jews between the Baltic and the Carpathian Mountains. It is a complex story that includes periods of tolerance — when Jews expelled from Western Europe could find a haven near the Vistula — and much longer periods when the Roman Catholic Church preached against the "God-killing" Jewish people.

Despite numerous acts of great courage during the Nazi occupation, when thousands of Poles risked and lost their lives to help Jews, the Holocaust seemed not to have altered the traditional anti-Semitism of many Polish Catholics. The presence of Jews among the new Communist rulers gave ammunition to some in the church and to nationalist politicians to argue that the new system imposed on the nation was foreign.

The church had its tradition, and the pogrom of Kielce in 1946 — the last pogrom recorded in Europe — did not alter the church's stand. Nor did anti-Semitic purges organized by the Communist government.

Two developments have brought a change. The first was the short but courageous life of Solidarity. The church saw that when the Communist government attacked Jews, it was really attacking the Polish people. To counter Solidarity, a movement essentially Catholic, the police and the party made a point of alleging the Jewish origin (sometimes true, sometimes not) of Solidarity militants. On the day of the military putsch, Dec. 13, 1981, the first commemorations by Warsaw Radio justified the military takeover by decrying the number of Jews in Solidarity.

The second development that transformed the Polish church was the election of Cardinal Karol Wojtyla as pope. Contrary to rumors at the start of his reign, his attitude toward Jews owes little to the unfortunate tradition of the Polish church. The house was warm and kind, and there was surprise when he failed to visit the Warsaw Ghetto during his first trip to Poland in 1979. Vatican officials said the Polish government refused to include the ghetto on the papal program. But this year John Paul II was not deterred.

The image of the pope kneeling in front of the monument in the ancient Jewish ghetto will be one of the brightest in the commemoration of the 40th anniversary of the ghetto uprising. It is also a sign that the military rulers have failed in trying to control the commemoration.

The pope's gesture in effect supported the position of Marek Edelman, a surviving leader of the ghetto uprising, who has refused to take part in the commemoration ceremonies organized by the military.

"Forty years ago," Mr. Edelman said in an interview, "we fought not only for our lives but to live in dignity. Participating in the ceremonies with the military rulers this year would be an act of cynicism."

The pope's minute of silence was a gesture of reconciliation between Jews who died in dignity and Poles who want to live in dignity, and a statement that this reconciliation cannot take place with the dictatorship but only against it.

At the ghetto monument, the pope declared to the Polish people that his ancestors are not the "Catholic blood" or "Jewish blood" that flows in the veins of Poles, but the fact that this blood has been and continues to be shed for the same goal — dignity.

International Herald Tribune

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be edited. We cannot acknowledge all letters, but we value the views of the readers who submit them.

Letter: Music and Home

From Andrea Dori Sippel in Florence

I HAD been away, and when I returned to Florence someone I was talking to in a café told me you had published my letter to you about Jorge Risi, the violinist who didn't program concerts. ("A Uruguay in Exile," Letters, July 7.) I shall be sending the clipping to Risi and company in Mexico and saying, "Queridos! The gringa violinista has not forgotten and is trying, in her own way, to do something."

I lived for four years in Mexico City and worked in the Mexico City Orchestra that was started by Mrs. Lopez Portillo in 1978. I doubt that an orchestra like that one had existed before or will again. It was one-third Mexicans and Latin Americans (including Risi, the concertmaster), one-third North Americans and one-third East Europeans (Russians, Bulgarians, Poles) with visas allowing them to work abroad. Our common language was Spanish spoken with all imaginable accents.

As the pet project of Mexico's Señora Presidente, we were sent around the world to play for heads of state in the most renowned concert halls as ambassadors from Mexico. Was it so strange that Mexico's premier orchestra should be two-thirds foreign? If one harks

back to Benvenuto Cellini one realizes that artists and craftsmen of ten went to whoever was willing to support them — the Medici, the pope, the king of France. Why not Petros de Medici?

Well, this particular crew of musicians established a solidarity among themselves somewhere between the Beethoven and Brahms and the Mexican national anthem. What with the *maestros* and our human juxtaposition in contexts around the world, I learned a great deal about politics, freedom, music and, mostly, people — so much, in fact, that I marvel in hindsight at the privilege.

As an American I don't know how to go about working toward awakening my countrymen to the world of fellow human beings beyond the frontiers.

As a musician I deal mostly with musicians, and musicians don't really care about much except, say, what the Florentine air is doing to the varnish on their fiddles or to their vocal cords. As an American musician, I don't really want to go home just now. Still, it continues to grieve me that Jorge Risi wants to go home and not.

More letters, Page 5.

FROM OUR JULY 18 PAGES, 75 AND 50 YEARS AGO

1908: Tug-of-War Causes Dispute

LONDON — While the athletes from the United States have won several firsts in the Olympic heats, any elation was quite overshadowed by the indignation that was generated by the outcome of the first heat in the tug-of-war. In that event eight stalwart Americans competed with eight men from the police force of Liverpool, and were easily pulled across the line. It is easy to imagine how the Americans could have been outpulled fairly and squarely, as none of them really knew anything about a tug-of-war, while the teams selected to represent England were veterans at the game. But when the manager of the American team examined the shoes of the British team, he found them to be fitted with sharp steel plates that were almost the equivalent of spikes.

1933: French Socialists to Split?

PARIS — The French Socialist Party, the only important section of international socialism left on the European Continent, appeared to be heading for a split when the annual convention of the party failed to heal the breach between the left-wing majority and the right-wing minority. The convention was called upon to decide whether to censure the conduct of about half of the Socialist deputies, who have taken it upon themselves to support the government even on issues opposed to the party's doctrines and programs. The argument of the minority has generally been drawn from the fact that, without the full Socialist vote, the Radical government would be overthrown and the door would be opened for a government of "conservative reaction."

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Sihanouk Moderates His Anti-Vietnamese Stand

Exiled Leader Is Thought to Fear Chinese Move to Install Pol Pot in Cambodia

By Colin Campbell

New York Times Service

BANGKOK — The Vietnamese call him a has-been, and he has held no power inside Cambodia for 13 years. But Prince Norodom Sihanouk, now 60 years old, keeps springing back from oblivion.

For the past year he has been president of the exiled coalition government of Democratic Kampuchea, which the United Nations recognizes as Cambodia's sole authority. Over the past couple of months, moreover, he has been voicing a new idea that some consider scandalous.

He has been telling people, not very privately, that his own anti-Vietnamese coalition — armed by China and greatly aided by the noncommunist Association of Southeast Asian Nations — has become too crudely anti-Vietnamese. Independent as ever, Prince Sihanouk has been saying the international campaign to save Cambodia from Vietnam may be on a futile, dangerous course.

What has made Prince Sihanouk an important figure in Southeast Asia since 1941, when Cambodia's French colonial masters pulled him out of high school and named him king?

First, he is forgiving to a fault. When tossed from power he found powerful friends. Second, his legitimacy as a leader far outstripped that of his successors: He was Cambodia's traditional "god-king" once, with much magic over the peasant, and he was freely elected prime minister. Third, in foreign affairs he had a realistic bent.

The two leaders who followed him — Lon Nol, a rightist mystic, and Pol Pot, a fanatical Marxist — both fantasized, as Prince Sihanouk never did, that little Cambodia might vanish Vietnam. The chief in Phnom Penh now, Heng Samrin, is Vietnam's creature.

Prince Sihanouk's worst enemy, who considers him vain and irresponsible, acknowledges his shrewdness in identifying Cambodian independence and neutrality with himself. But his shrewdness has often failed.

Furious at his overthrow in 1970 by pro-American generals, he immediately joined forces with Cambodia's Communist insurgents. His speeches and prestige helped them grow, and they seized power in 1975. He became president for a year in Pol Pot's government.

But soon he lost even the title and became a captive; more than a dozen of his relatives died in the general slaughter. By the time Prince Sihanouk flew off to China — a few days before the Vietnamese entered Phnom Penh on Jan. 7, 1979 — his political career seemed broken and destined beyond repair.

Yet he took up the war of words against Vietnam and condemned Pol Pot. He urged the United Nations to declare that Cambodia had no government at all. But his position became a lonely one. Pol Pot's deposed government held its seat in the General Assembly, maintained its armed presence inside Cambodia and lacked nothing but respectability and a country.

A year ago, the prince was persuaded to join forces with those he had recently said were "fighting to

keep their own compatriots enslaved." He has been in the limelight since, rallying friends with his squeaky eloquence.

Lately, however, his position has shifted slightly. Frustrated at repeating the formula that Pol Pot

Prince Sihanouk's son, Norodom Ranariddh, said last month after his father threatened to quit the coalition that the prince was "very pessimistic" about the coalition's "narrow" anti-Vietnamese stance. The coalition just kept repeating that Vietnam must go, he said.

"Do you think for a moment that Vietnam would withdraw unconditionally from Kampuchea?" the son asked. "No," he continued. "So Prince Sihanouk says that we must find another technique for dealing with the situation."

The son confirmed a recent report that Prince Sihanouk suspected China, his longtime supporter, of planning secretly to eject the Vietnamese by force. The possibility

thinks the prince, hints of Pol Pot's return to power and could legitimize Vietnam's refusal to withdraw. The only alternative, he has said, is a negotiated settlement involving the neutralization of Pol Pot's guerrillas.

In April, Vietnamese troops destroyed the prince's own military camp in western Cambodia. He has recently learned in detail how Pol Pot's soldiers killed some of his relatives. He is worried by reports, none yet proven, that hundreds of thousands of Vietnamese civilians are colonizing his homeland.

Prince Sihanouk looks relatively trim these days, but he doesn't believe — as Peking, Washington and several Southeast Asian capitals keep asserting — that time is on his



Prince Norodom Sihanouk

side, or his coalition's, or Cambodia's. So he has been freshening his sturdy old image as an independent.

Election Signals a Stirring of Tax Revolt in Japan

By Clyde Haberman

New York Times Service

TOKYO — About two months ago Daisuke Yagi quit his job at the Mitsubishi Corp. so he could run for the upper house of parliament. He was a high-ranking official, a company man for 33 years. Now here he was, 56 years old and 18 months short of retirement, diving into a pool that, for all he knew, was empty.

His family thought he was crazy, he said, and so did many other Japanese.

Mr. Yagi did not care. For three weeks, from morning to night, he campaigned around the country out of a rented van, running through \$34,000 that he had received from Mitsubishi as a separation payment.

Late last month, to the surprise of many, he won, becoming one of two members of the Diet from the New Salaryman Party, a tiny group formed only half a year ago and dedicated to more even-handed tax treatment for Japan's millions of office workers. The other winner was the party's founder, an economics professor and tax-reform advocate named Shigeru Aoki.

"I put everything into this election," Mr. Yagi said. "If I had lost, I'd have to look for another job. So the pleasure of victory was greater."

His party's success in the elections for the upper house has been taken by many political experts to be a sign that Japan may be entering an era of single-issue politics, with one-theme "miniparties" able to feed on discontent with the long-governing conservatives.

But perhaps more than that, the rise of the Salaryman Party could be considered the first full-blown tax protest in recent years. A few

people even talk about a taxpayers' revolt, raising the specter of the tax-slashing measure known as Proposition 13 that California voters passed in 1978.

The analogy is overdrawn. But the fledgling party nonetheless has touched a nerve. "Tax cut" has become such a byword of late that Prime Minister Yasuhiro Nakasone is promising the first reduction in five years, although details are few and thoughts are vague on how the lost revenue would be made up.

The salaryman referred to in the name of Mr. Yagi's party — the Japanese word is borrowed from English — has become something of an international symbol of modern Japan. In the most typical image, he is a hard-plugging fellow in a dark blue suit, who stays at the office late, goes out drinking with his co-workers and by his assiduousness keeps Japanese business and industry rolling.

This is surely a stereotype. But like many stereotypes, it contains elements of truth.

These days, the salaryman can be any payroll employee, from the secretary to the blue-collar worker, and there are 41 million of them in a population of 118 million.

The salaryman's complaint is that unlike other Japanese, he has no way of escaping the tax collector. His taxes are withheld, with the company taking out national and local income taxes and social security and insurance payments before passing on his monthly pay.

By contrast, self-employed people and farmers declare their income to be whatever they want it to be, and then pay taxes on what they earn. Or they reduce taxable income with a variety of maneuvers, such as dividing earnings among

family members, in some cases spreading the wealth so thin that no one owes money to the government.

Among the worst tax dodgers, according to official surveys in Tokyo and Osaka, are doctors, operators of pachinko, or pinball parlors, building contractors and restaurant owners.

Over the years the expression *karu-yaru*, or 9-6-4, has entered the language. It refers to the widely held notion that payroll workers pay 90 percent of the taxes they should, self-employed businessmen pay 60 percent and farmers 40 percent. The 9-6-4 formula, say people familiar with the tax structure, is only a little off the mark, if at all.

An office worker who is married with two children and earns about \$25,000 a year can expect to take home about 82 percent of gross pay. National and local income taxes become confiscatory only at the upper levels, with government taking 93 percent of earnings above \$34,000.

It comforts few Japanese to know that the income-tax burden is greater in many European countries and in the United States. Mr. Yagi complains that people in Japan pay an array of "indirect taxes" — the result, he contends, of government policies that keep food costs artificially high and real-estate prices somewhere in the stratosphere.

One question now is how easily the government could keep a pledge to cut taxes. The national debt is already huge and growing each year. Money needed to pay the interest on government borrowing accounts for 16 percent of the \$214-billion budget.

For Mr. Yagi, any reduction would be a step in the right direction.

His only reason for running, he said, was to "enlighten" the Japanese about their tax burden. He said this in a quiet manner, befitting a man who found himself with some free time several years ago and filled it by writing novels. Yagi is a pseudonym; his real name is Heihachiro Kimoto.

But, before too long in a conversation the other day, he moved from talking about "enlightenment" to estimating that the government could get by on far less money, perhaps half its current tax revenue. At that point, he sounded a bit like Howard Jarvis, the fiery anti-tax advocate in California. When told that, Mr. Yagi looked interested. He made a note of Proposition 13 on a slip of paper. He will have to look it up, he said.

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Helen, left, a friend and their children prepare an evening meal in the village of Olooscos.

In the Dark of an Uncharted Village, Kenya's Success Story Seems Remote

By Alan Cowell

New York Times Service

OLOOSCOS, Kenya — The average Kenyan, according to the World Bank's figures, can expect to live 55 years and be valued, in terms of gross national product, at \$380 a year.

In contrast with 20 years ago, twice as many Kenyans live in cities, twice as many go to school and more than twice as many can read and write. Only half as many children die before the age of 4; the population soars.

The figures are not posted here, in this village on a bald hill at the tip of Africa's Rift Valley, but the life of the people provides its own counterpart to what, compared with other African countries, might be called a statistical success story.

Olooscos is no more than a scattered collection of huts and fenced areas where hedges guard meager privacy. Corn grows in patches, and goats and cows graze, tended by barefoot children.

At evening, on the ridge that slides down to the Ngorongoro Hills, the lights of Nairobi twinkle 15 unbridgeable miles (24 kilometers) to the east. To the west there is only the somber plunge of the Rift Valley, harsh and thorny.

A traveler might not find this place easily; it is on no chart or packaged tour. But a marooned traveler, perhaps someone whose motorcycle has broken down among herds of gazelles and thickets of thorn, might stop here and glimpse, for a moment, lives that seem remote from Kenya's capital.

The odyssey might begin with an encounter on the road to Olooscos with a man of the Masai tribe, dominant here, clad in a scarlet robe, carrying a spear that seems of infinitely greater worth than the traveler's crippled motorcycle.

The outsider might be carrying packets of tea and sugar, in case offerings are required, and the Masai man will take what is given, but extend no thanks. Such acknowledgment of common belonging cannot be brought so quickly with such tawdry goods. The Masai, the man is saying with his silence, were here before the foreigner, and will endure.

That seems less sure as the journey progresses in the heat, under skies clear and blue, where eagles soar. For many Masai have taken to the city.

The plains, on the valley's lip, are endless, but not the daylight. There are no streetlights to herald the traveler's tired entry into Olooscos.

22 Die in Philippines Storm

The Associated Press

MANILA — Twenty-two people were killed and thousands of others left homeless by the first typhoon to hit the Philippines after eight months of drought, relief agencies reported Saturday.

only children, amused by the ruined totem of modernity the outsider pushes before him in the dirt track, cursing as if it were a recalcitrant steel mule.

"Is there a car here?" he asks. "There is no car," say the children, shy, shuffling their feet, a little bewildered by the preposterous question.

"How far is the main road?" "Not far." They gesture over a distant hill, already indistinct in the twilight.

"Where can I leave this machine while I walk?"

Much discussion, for this is an age of responsibility, laden with consequences.

"Here, you can leave it here." It is the oldest boy, suddenly assuming manliness.

There are no men here. There is in the collection of huts where the broken machine is to be stored only a woman called Helen and her friend and their many children, nervous at the intrusion.

The men are probably in Nairobi, working as night security guards, the elongated earlobes of their tribal custom at odds with the Gilbert and Sullivan uniform supplied by the guard services that protect the homes of the wealthy.

Here there is only the dark and cold wind and the cluster of warmth and talk around a cooking fire, filling the hut with smoke and making the youngest child's hawking cough more hawking.

There is by one of Africa's poorest countries, but development has not yet been sufficient to eradicate the burdens that dominate the continent — the rush to the cities, the drudgery of a life filled with the menial tasks necessary for survival. The water must be carried, the crops grown, the wood collected for the fire. The outsider is sufficed with a sense of powerlessness, for here personal will is not as enforceable as in the West.

Then, by one of the strokes of fortune that Africa produces, a car is found a little way down the road in a rutted village, a kind of bush taxi called a *matatu*.

Negotiations begin between the traveler and the owner. A deal seems to be struck, after listless bargaining, but then a woman, not apparently a party to the contract, intervenes, demands a higher price. The traveler, frustrated and no longer fearful of accusations of tribalism, demands to know of the Masai driver: "Are you Masai or Kikuyu?"

The Masai, who herd cattle, carry spears and circumscribe their women, regard themselves as superior to the Kikuyu, Kenya's largest tribe, but the Kikuyu are the entrepreneurs.

"I am Masai," he proclaims, proud enough in his affirmation to accept the outsider's price for the rental of his car. "But," he adds, with a shrug at his powerlessness in these particular circumstances, "she is Kikuyu."

The newspapers in Nairobi inveigh against it, but here tribe is a power and a force. When the deal is done, the broken motorcycle is loaded and with much pushing, pushing, inexplicable delays and last-minute advice from elders, the car proceeds on its way, toward the city that has become a foreign place, even to the outsider who, on arriving home, will switch on lights and electric stove and be-taken take a shower in the knowledge that, in Olooscos, such things are only for the realms of fantasy.

LETTERS TO THE EDITOR

Killings in Java

For reasons unknown to me, major news organizations are not printing the full story about what is happening in Indonesia. Recent press reports said that 400 people had been mysteriously killed in Indonesia, and the commander of the armed forces was quoted as saying it might be the work of rival gangs. All of this is misleading.

The fact is that the military itself is solely responsible for these killings. Under the guise of clearing up crime in Java's streets, the military is bypassing Indonesia's constitutional guarantees of due process and right to trial.

In Jogjakarta alone, Indonesia's second city, where I live, more than 250 bodies have found their way to the basement of Sandjito Hospital, a large government hospital, and hundreds of others have reportedly been thrown in the rivers around the city. Some people apparently in the know say the death total exceeds 600 — and this is just in Jogjakarta. The killing is taking place in cities throughout Java.

I have witnessed two of these killings. In one instance six men, all clearly military, dragged a suspect to a garbage dump, drew knives and methodically stabbed him to death while hundreds of people watched from the road above and listened to the man's screams. In another instance, in the southern part of the city, military men

Whose Democracy?

Regarding "Another Try at Exporting Democracy" (IHT, June 29) by Robert E. Hunter:

While "exporting democracy" to foreign political systems that have yet to develop democratic procedures and ideals may be a laudable goal, the Reagan administration is not the one to carry out such a program. To the extent that it has adopted Jean Kirkpatrick's ridiculous distinction between "authoritarian" and "totalitarian" governments it has forfeited any claim to understanding political change in countries that are run by closed political elites.

Peaceful, democratic political change requires a degree of trust between rulers and would-be rulers — at least a reasonable assurance that losers in political contests will not be murdered. Such conditions were obviously lacking in El Salvador, as potential leftist candidates in the Reagan-sponsored elections last year realized.

It is useful to remember that Hitler became chancellor by exploiting democratic procedures. BRUCE HEITMAN, Stavanger, Norway.

About Bertrand Russell

Mr. A. Roderick-Grove (Letters, July 5) writes, "Bertrand Russell's good name will survive." I have been vacationing for three weeks, away from the news, in which issue of the International Herald Tribune has Russell's acquisition of a good name been disclosed?

HANS S. SCHROEDER, Munich.

About La Pasionaria

Regarding "Living Legend of Spanish Marxism" (IHT, June 30):

It is normal to write about people like Dolores Ibarruri, but on the condition that they are treated in the same way as Nazi war criminals. Otherwise the reporting is biased by an ethical double standard.

La Pasionaria presided over the extermination of hundreds of thousands of non-Communists, starting with Calvo Sotelo and ending with the 50,000 political prisoners that the Communists were unable to take with them when they left Barcelona and Valencia.

I. VARLAM, Paris.

Casey Might Volunteer

Regarding the report "Casey Says He 'Wouldn't Touch' Any Carter File" (IHT, July 7):

To put the boot on the other foot, as it were: Mr. Casey might volunteer to take a polygraph test. GIOVANNI ORSO, Lugano, Switzerland.

Smoking and Rights

Your recent articles on smoking are timely. Surprisingly, the simple issue of human rights is scarcely mentioned — the imposition of dirty and dangerous air on those who are forced to breathe it in enclosed places, from restaurants (at least in France) to airport waiting rooms and aircraft cabins.

H.L. TELLER, Paris.

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Q195	General Business Devt	78	11/2	78 Jul	99	13.7	11.62	Q195	Uniqn Corpnls Canada	14	17	89 Jan	14 1/2	12.59	13.57	
Q196	Food Concession Inv	78	8/4	84 May	99	11.38	10.19	Q196	Winlock City	17	16	89 Oct	112 3/4	12.59	13.57	
Q197	Food Motor Credit	81	1/2	84 May	99	12.65	1.01	Q197	Winlock City	8	1/4	87 May	98 1/2	11.97	14.14	
Q198	Food Motor Credit	81	8/24	87 May	99	12.52	10.50	Q198	Winlock City	15	2/4	88 Jan	78	12.95	14.14	
Q199	General Foods Ltd	81	1/2	86 Jun	99	12.15	1.72	Q199	WINLOCK							
Q200	General Motors Acpt	81	8/2	86 Jun	99	12.12	11.85	Q200	DENMARK			5/12	84 Apr	85 1/2	12.27	12.51
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\$175	Mexico	18 1/2	75	Jul	99	19.11	78.1
\$75	Panama	17 1/2	75	Nov	9 1/2	18.97	78.1
\$120	Mexico	17 1/2	75	Mar	99	19.72	78.1
\$75	Canadian Fed Elec	17 1/2	75	Nov	99	19.72	78.1
\$75	Armenian Pub	17 1/2	75	Nov	99	19.72	78.1
\$75	Guat Social Guarante	17 1/2	75	Nov	99	19.72	78.1
\$100	Costa Rican Natl Pmt	16 3/4	75	Nov	100 1/4	14.1	78.1
\$60	Consolidated-Southst	17 1/2	75	Nov	71 1/2	24.32	78.1
cds 58	Prov Of Quebec	18	75	Nov	71 1/2	24.32	78.1
cds 59	Royal Ind	17 1/2	75	Nov	71 1/2	24.32	78.1
cds 60	Consolidated Utilities	17 1/2	75	Nov	71 1/2	24.32	78.1
cds 61	Consolidated Utilities	17 1/2	75	Nov	71 1/2	24.32	78.1
cds 62	Simmons-Sears Accep	16 3/4	75	Apr	110 2/4	21.00	78.1

(Continued on Page 14)

Marketmakers in Deutschmark Bonds **WestLB**
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ITALY

A SPECIAL REPORT

Election Setback Damages Hopes For the Economy

By John Phillips

ROME — Share values on the Milan bourse plummeted in the biggest one-day drop in history after last month's general elections, raising disturbing questions about the future of the Italian economy.

As the extent of the Christian Democratic setback became clear, the main index fell by 8.5 percent amid panic selling by the Italian business capital traders. As the market read it, the outcome at the polls without a doubt meant that Italy's pressing economic problems would be swept under the carpet once again.

Shares of the Fiat auto company, always an important indicator of confidence, fell by 10 percent. It was the same gloomy story elsewhere, with the Montedison chemical giant's shares plunging as low as 164 and other big companies, such as Olivetti, CIGA and Mediobanca, for a while looking in trouble.

At one juncture, as many as 18 stocks could not be quoted at all. Tuesday, June 28, went down in the history of the stock exchange as the worst day since the crisis of summer 1981 after the indictment of the late Roberto Calvi, then president of the Banco Ambrosiano, and other leading Italian financiers, on charges of massive illegal export of currency.

In the first hour of trading, the Milan market lost nearly a half of the ground gained in the first six months of the year. On Wednesday, dealers began to recover their nerve, sending the index climbing back to 3.7 percent. But at the end of the week share values were still depressed by the political situation and there was speculation about the prospect of another dramatic day on the bourse if wrangling among political parties was not quickly resolved.

Ironically, Italian equity markets had been bullish in advance of the June 26-27 polls, precisely because of widespread expectations of a strong return by the Christian Democrats and a decline in support for the Communists.

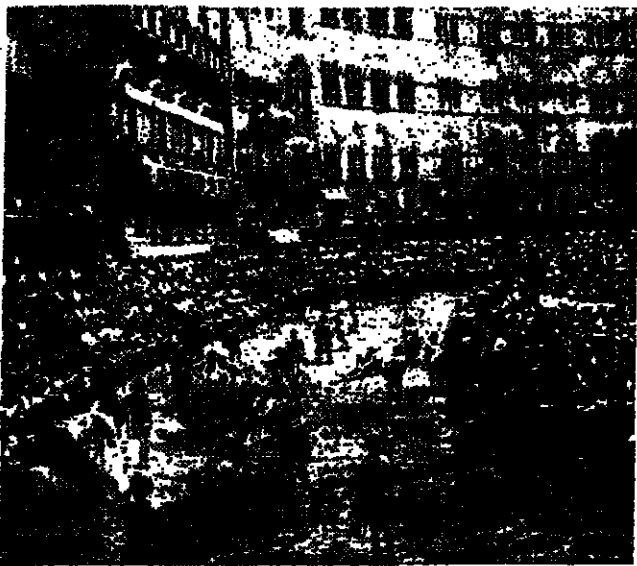
But by Tuesday a pessimistic mood had pervaded the foreign exchange market as well, with the dollar climbing about 23 points against the lire to reach as much as 1,515 in the day's early interbank dealings. There was no mistaking the disillusion in business circles after the first projections showed just how far Italy's political geography was changing.

"Governing Italy will be increasingly difficult as the new premier will have to mediate a split majority," said Vittorio Merloni, president of the Italian employers' federation, Confindustria.

"This happens at a moment in which other European countries rely on more powerful majorities and can make quicker and more decisive choices," Mr. Merloni said.

That depressed viewpoint was echoed by two other top business figures. Francesco Cingano, managing director of the Banca Commerciale Italiana, said:

(Continued on Following Page)



A medieval pageant re-enacted in Siena.



Ischia castle viewed from mainland beach.

New Government: Election Brings Summer of Talks

By Henry Tanner

ROME — Post-election negotiations between political parties have only just begun and are expected to last through the summer.

Ironically, after an election that was universally interpreted as a "protest vote" against the politicians and parties that have been ruling the country for the last 38 years — an "earthquake" the Rome newspaper *La Repubblica* called the election — the government is likely to look much like its many predecessors. All the old parties and many of the old politicians are expected to be in it.

The ruling Christian Democrats, who admitted having suffered a humiliating defeat, quickly made overtures to Bettino Craxi, the Socialist leader, who also fared much less well than he had confidently expected. The Christian Democrats, after a series of party caucuses, signaled to Mr. Craxi that they would be willing to accept him as prime minister in a new five-party coalition in which they would once more be the strongest partner with Republicans, Liberals and Social Democrats the remaining members.

Other possibilities, if negotiations with Mr. Craxi should eventually fail, would be a transition government under a Christian Democrat or a government of so-called technocrats, meaning less-marked political figures, possibly headed by Giovanni Spadolini, the Republican former prime minister, whose small party made the largest relative gains in the election.

It will be up to President Sandro Pertini, at the end of this month, after a new parliament is convened, to choose a prime minister-designate who will then try to put together a cabinet.

In the meantime, the country is governed by a caretaker government under Amintore Fanfani, the outgoing Christian Democratic prime minister. As usual, the caretaker government is as effective and has as much authority — or perhaps more — as the "real" governments that are under constant pressure from the bickering coalition parties and from parliament.

Labor Minister Vincenzo Scotti, for instance, is deeply involved in all important wage negotiations between the metalworkers' union and industry and there has been no suggestion that his role may have suffered by the absence of either a government or a parliament. The government is acting not only as a mediator but will be a partner in the new contract in the case of the nationalized industries.

The metalworkers have always been the most powerful and toughest negotiators of all Italian workers. An agreement reached with them has always served as a model for other categories of workers and other industries. With contract renewals due every three years, but the deadlines often changed for political reasons, the current negotiations, there-

(Continued on Following Page)

A New Taste for Sports Cars as Terror Fear Ebbs

ROME — For the first time in 15 years Italians are again flaunting stylish and powerful sports cars on the Via Veneto and other traditional haunts of Rome.

Sleek Lamborghinis, Maseratis and Lancias jostle for position with more workaday automobiles in a sign that the wealthy have been reassured by the recent victories against terrorism, culminating in the release of U.S. Brigadier General James L. Dozier from his Red Brigades captors last year. Even the fear of kidnappings, the nemesis of the Italian rich, has receded somewhat after the arrest of hundreds of suspects in a series of nationwide police raids in June. It is no longer dangerous to show you have money.

Encouraged by that change of attitude, Italian sports car manufacturers and designers are expressing cautious optimism that the home market may witness a resurgence of demand this year. For although Italians have been putting their impossible fantasy objects through their paces on the streets more often recently, sales of

sports cars have not fully recovered from the severe blow dealt by the oil crisis of 1973.

Measuring the state of the market is difficult because many companies do not have separate turnover figures for sports and other models, and because it is often hard to say where a sports-style model ends and a family convertible begins. In absolute terms, Italians seem to have an almost insatiable demand for high-speed travel on the road, for example, buying nearly 2,400 Maseratis alone in the first five months of this year, according to figures released by ANFIA, the Italian car manufacturers' association.

But for many companies, even that very high level of domestic consumption has been insufficient to keep them going amid the harsh winds of recession, and more and more have looked to export markets in order to survive. Pininfarina, one of a number of car design and manufacturing companies based in and around Italy's Detroit-style city of Turin, has been exporting 80 percent of its 136-billion-lire turnover. The largest foreign market until this year was the United

States, where Fiat sold and distributed the Pininfarina Spider 2000.

For about 12 months, however, sales of the Spider 2000 and the X-19 sports car made by Bertone have been disrupted in the United States after Fiat's decision not to market the two models there anymore and failure to reach a satisfactory agreement with a U.S. importer.

Executives in both companies said the Fiat decision to sell off U.S. rights on the two cars has raised anxiety about their prospects in what is a key market for the two. "This move was not sought by us," a senior Bertone executive said. Against that background, Bertone is staking more hopes on sales of a Fiat Ritmo base, a convertible made from a Fiat Ritmo base, production of which is expected to reach 5,000 this year.

Still a family firm, Bertone employs just 1,350 people and has an average yearly turnover of about 65 billion lire. Its Turin-based neighbor, Pininfarina, also depends heavily on producing

(Continued on Following Page)

Cause for Concern: New EC Agricultural Policy

By Craig Anderson

BRUSSELS — Uncertainty and apprehension must be Italy's sentiments when the country looks at the possible development of the EC's Common Agricultural Policy and Italy's returns from it.

As one of the six founders of the European Common Market 25 years ago, Italy was closely connected with the birth of what has become for some EC and most non-EC governments a detestable sacred cow but which is for other community member states a kind of benevolent guardian angel for Europe's 8 million farmers.

Despite constant attacks and continual attacks both from within and from outside the EC, the Common Agricultural Policy, known as CAP, has achieved many of its initial objectives. This is as true of Italy as anywhere else in the community, with self-sufficiency having been increased dramatically and farm incomes raised well beyond the peasant farmer level for most farm owners.

EC figures show that over the last decade farm incomes have increased in real terms in Italy by between 11 and 15 percent, at a time when inflation and high fuel costs have whittled down the real level of incomes for farmers in most other community countries.

In the first decade during which the CAP was in operation — between the mid-1960s and mid-1970s — farm incomes in Italy rose by more than 50 percent.

In a country that aside from the latest EC member state, Greece, has the largest number of tiny farms employing only one person — until recently more than half the total farms in the

country — this income rise has been crucial on a personal as well as an economic level.

The CAP, however, did not suit Italy's needs from its inception. In 1962, when the original proposals for a common system of support for EC farm goods were made, the important commodities of wine, fruit, vegetables and olive oil were not included.

But in 1966, Common Market arrangements for fruit and vegetables were set up, providing a safety net for producer prices as well as special mechanisms to protect Italian agriculture from cheap imports from outside the community. Later, support systems for wine and olive oil completed the picture as far as Italy was concerned.

Other measures designed to promote farm modernization have also been framed with Italy in mind in an attempt to ease the country's agricultural sector away from subsistence farming toward larger and more efficient farming methods.

Apart from the ups and downs of each year's EC farm price-fixing struggle when the 10 governments meet to set common price levels for the coming year, Italian farmers are reaping the benefits of the basic structures of the CAP together with other projects designed specifically to help Italian agriculture.

Storm clouds, however, are massing on the horizon. For years, countries like Britain and West Germany, the two largest net contributors to the EC budget, have been complaining bitterly about the cost of the CAP, now consuming two-thirds of all Common Market revenues.

The main problem is milk, produced in fast-

flowing abundance in the more northerly member states like the Benelux countries, France, Denmark, Britain and West Germany.

Out of the total agricultural budget of almost \$12 billion a year, roughly 60 percent goes to finance the dairy industry with its half-million metric-ton butter mountain and growing stockpiles of powdered milk. The campaign for cost cutting has turned into a full assault on the CAP as the community approaches bankruptcy. Last year's 11-percent farm price increase, combined with record production levels, meant a bonanza year for farmers. But farm spending by Brussels is running 40 percent over budget for the first six months of this year.

As far as countries like France, Italy, Greece and Ireland are concerned, the simple solution to the lack of funds is to increase member states' budget contributions. But the big contributors argue that any extra cash might simply be sucked into the mouth of the all-consuming farm policy unless the hitherto open-ended support commitments are scaled down.

Although the main problems lie with milk and cereals, of lesser importance to Italy than other so-called Mediterranean products, the EC Commission in Brussels is engaged in a thorough reappraisal of all aspects of the CAP, and Italy cannot hope to escape whatever spending cuts are decided upon eventually.

The other dark cloud, closely linked with these financial worries, is the forthcoming arrival of Spain and Portugal within the ranks of the community. Both countries produce the same type of products as does Italy, and the present

(Continued on Page 98)

Film: Waiting for the Next Wave?

By Robert Wazack

ROME — The age of the "spaghetti western" has passed, *la dolce vita* has not been very sweet in years and the once exciting Italian film industry has become a little dull.

Will Italian cinema revive? Its great age, of course, both artistically and commercially, was the 1950s, when such directors as Fellini, Antonioni, de Sica and Pontecorvo were at their prime. It was also the time of Italy's economic miracle, and thus a time when the country had more confidence in itself than it seems to now. Any true revival will probably have to wait for a coalescence of a great variety of social and economic factors — and this could happen quite soon or, then again, perhaps never.

Consider that two of its biggest preoccupations in recent months have been a 56-day strike by sound personnel involved in dubbing and — following a cinema fire in Turin — how to make movie theaters safer. No one could dispute the fact that labor relations and theater safety are important issues, but somehow something seems to have been lost from the days when Anita Ekberg waded, almost nude, through the fountain of Trevi in the film "La Dolce Vita."

There have been periodic attempts to revive Italy's state-supported production studio, Cinecittà, but without much result. Much publicity surrounded director Franco Zeffirelli recently when he filmed "La Traviata" there, and now (as always) there is considerable publicity accompanying Federico Fellini, who is at Cinecittà completing his latest film, "La Nave Va" ("The Ship Is

Sailing"). But efforts such as these are few and far between. The number of all-Italian films produced in the 1981-82 season dropped to about 110, against 120 in 1980-81 and 140 in 1979-80. For 1982-83, the figure could well drop below 100.

Meanwhile, the appetite for American films continues to grow. A total of 120 American films were shown in Italy last year, 10 more than the number of Italian films. In addition, there were 17 Italian-foreign co-productions and about 80 non-American foreign films for a total of 327. The audience for these films was 195.4 million, a drop of 9.3 percent, against the previous year's 215.5 million.

The decline in the number of films produced is not being offset by an increase in quality either. Italy is plagued by a series of cynical, crude, poorly made — but highly profitable — comedies. If nothing else, however, they at least have the virtue of bringing to the fore a generation of brilliant new comedians such as Adriano Celentano (currently Italy's highest paid actor), Massimo Troisi and Carlo Verdone.

Producers and distributors like to talk of a "crisis" in the Italian film industry, but a not-very-well-kept secret is the fact that movie-making in Italy, contrary perhaps to all appearances, is still highly profitable.

"You can earn more profit making films in Italy than in any other country," said Paolo Bonolis, owner and manager of International Recordings, a company that does "post-production" work such as sound, dubbing and editing on more than one-third of all films shown in Italy. "One reason," he said, "is low:

labor costs. Second, and more important, is the fact that Italian audiences don't care about 'local' and special effects as much as audiences in other countries do. Producers can cut a lot of corners making a movie here and save money doing it."

In spite of the recession, money for producing films is available, often at what amounts to discounted lending rates — which, in Italy, means just under 20 percent — and usually on an upfront, guaranteed distribution basis. The leading private financiers are Mario and Vittorio Cecchi Gori, father and son, who finance numerous comedies. Public money, in addition to coming from the state television network RAI, is available from Sezione Autonoma Credito Cinematografico, known as SACC, a special unit solely for film industry loans within the state-owned Banco Nazionale del Lavoro.

A striking fact about Italian movie audiences is that they are older, in general, than those in other countries. People over 40 still go to movies, and in large numbers — although this phenomenon seems to be changing as Italy becomes more cosmopolitan. The more "cosmopolitan" a country is, the more one is likely to find middle-aged and older people staying at home watching a movie on television rather than going out to a movie theater to see one. The Italian film industry, in fact, is taking steps to accommodate an increasingly younger audience that has grown up accustomed to electronic games and high-quality stereophonic sound.

Much attention was given to the improve-

(Continued on Page 105)



MONTE DEI PASCHI DI SIENA
Bank founded in 1472

	Lit. million
Saving deposits and current accounts	11,905,048
Bonds	1,919,039
Reserve funds	1,474,715
Total available funds	22,890,562
Loans and advances	6,558,335
Security holdings	7,452,975
Net profit	22,551

The Monte dei Paschi Banking Group, which includes:

MONTE DEI PASCHI DI SIENA
BANCA TOSCANA
CREDITO COMMERCIALE
CREDITO LOMBARDO
ITALIAN INTERNATIONAL
BANK Ltd.,

showed, at 31/12/82 total deposits in excess of \$ 26.4 billion. Capital resources amounted to \$ 1.7 billion.



ITALY

Election Brings Summer of Talks

(Continued From Preceding Page)

fore, are decisive for the future of the Italian economy for years to come. The negotiations also go to the core of the central economic issue that divided the last government of Mr. Fanfani and paralyzed the two preceding ones under Mr. Spadolini, who for 18 months was the only non-Christian Democratic prime minister since the 1940s. All three governments were brought down by Mr. Craxi.

While Italian political disputes are almost always conducted in the form of straightforward power struggles between parties and individuals, the economic issue that divided the three governments and dominated the election campaign is real and increasingly compelling.

Inflation stands at about 16 percent a year, unemployment is rising, the public debt is enormous, the lira has been losing ground and Italian industrialists have been complaining for years that high labor costs and low productivity are making it increasingly difficult for them to compete in the international markets.

In past governments and during the campaign, Mr. Craxi's views on how to deal with these issues were in basic conflict with those of the Republicans, Liberals and the leader of the Christian Democrats, party secretary Ciriaco De Mita.

Mr. Spadolini made himself the spokesman of austerity. He urged swift drastic anti-inflation measures. After the election in June, he was quoted as saying that labor policies — the creation of jobs and wage increases — had to be "subordinated and linked" to a policy of reducing inflation.

Mr. Craxi, during and after the campaign, charged that the medicine prescribed by Mr. Spadolini, the Liberals and Mr. De Mita was so potent that it would "kill the patient."

The fact that the Christian Democratic leadership now accepts Mr. Craxi as potential prime minister is interpreted to mean that the ruling party is backing off from Mr. De Mita's campaign position, because the party has found out that a policy of economic austerity is not popular with the mass of the voters who backed it in the past.

This, in turn, can only mean that if Mr. Craxi becomes prime minister, the Christian Democrats will meet him halfway on economic policy, leaving the Republicans and Liberals to fight the battle for austerity alone.

Apart from splitting any future coalition government from the start, this may well mean that Italy will continue to be the only European country not conducting a policy of austerity, much to the despair of its professional economists, industrialists and business community.

The Communists, the perennial second party behind the Christian Democrats, lost votes fractionally in the election, but because the Christian Democratic loss was so much bigger (between 5 and 6 percent of the vote in the Chamber and the Senate respectively), the gap between the two parties now is narrower than it has ever been since World War II.

If nothing else, this has given Enrico Berlinguer, leader of the Communist Party, who was in a slump before the election, a much-needed lift, and it has increased the Communist Party's influence in the coming economic debate. This is apt to harden the trade unions, which had already accused Mr. De Mita of having sold out his party to the big industrialists and to the business community.

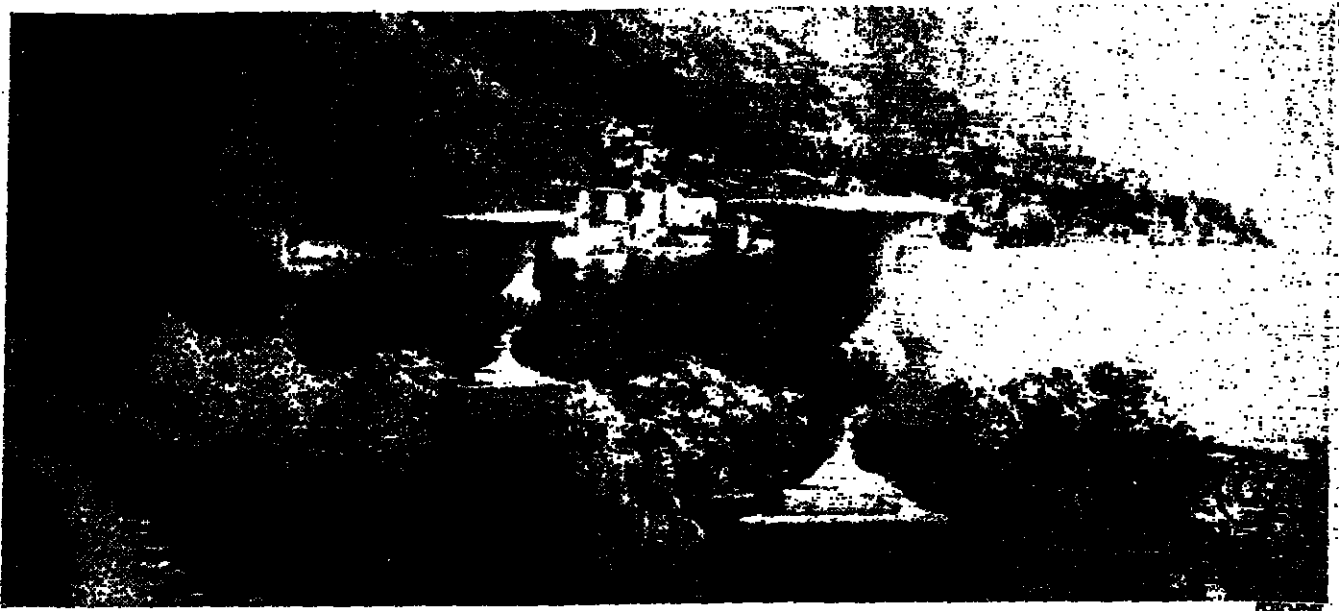
All this will weigh heavily on the new government or, more probably, successive governments, for Italian commentators find it difficult to imagine that the new coalition, whether under Mr. Craxi or not, will be able to last much longer than the average of its predecessors, which was about eight months. When Mr. Craxi brought down the Fanfani government in April and forced President Pertini to call anticipated elections (the next regularly scheduled election was due in 1984), he and his aides were confident that the Socialists would gain 4 to 5 percent more votes than they had in the last national election in 1979. Instead, they made a gain of 1.8 percent, a semi-defeat acknowledged by the party.

If their hope of a large gain had come true, Mr. Craxi would have been swept into the prime minister's role as a commanding figure able to dictate his policies, within the limits of the Italian system. If he becomes prime minister now, by contrast, it will be as a result of one of those many half-hearted compromises that have been the unfortunate norm of Italian politics all along.

Mr. Craxi insisted on new elections now, primarily because he feared that Mr. De Mita's efforts to overhaul the Christian Democratic Party and give it a new modern image would make the ruling party a much more formidable opponent in the future.

Mr. De Mita was not able to complete his project. And while insiders say that he underestimated the strength of Christian Democratic traditions, the most telling reason obviously was that he did not have enough time. The De Mita wing of the party is being blamed for the election defeat.

So far, recrimination within the party has been muted. But a power struggle between the "old" and the "new" Christian Democratic Party is inevitable and may well become the most interesting and important next development in Italian politics.



Lake Como at Fiumelatte.

Tourism: Continued Stability Forecast

By Janet Stobart

ROME — With the holiday season in full swing, both sides of the Italian border are assaulted by the customary exodus of Italian tourists going abroad for their vacations and the influx of foreign tourists who once again choose Italy as their favorite playground.

This year the Italian side of the border will be far less blocked than the West German, Austrian and French sides, for despite the freer currency restrictions regarding money taken abroad, Italians find their devalued lire buy more holiday time at home than abroad.

Last year, of the 50 percent of the Italian population that moved away from home for a holiday, little more than 5 percent crossed the frontier.

The holiday money spent by Italians in Italy totaled \$18.6 billion, against the foreign tourists who spent \$3 billion. After several lean years when Italy's image abroad was plagued by reports of crime, terrorism, communism, earthquakes and avalanches, last year finally brought a period of security and comparative prosperity for the tourism business.

Foreign visitors, headed as always by the Germans, 7 million of whom came to Italy in 1982, increased by 11 percent over 1981, and the year closed with a balance of almost \$6 billion. The forecast for this year is one of stability rather than another spectacular increase in the tourist business, but tourism is still still on Italy's list of incomes.

Despite the decision of Pope John Paul II to make 1983 an extraordinary holy year, the tourist trade observers do not foresee larger amounts of foreign currency in Italian treasury coffers. After all, pilgrims do not

spend the kind of money disbursed by tourists. In fact, by Easter this year a drop of 6.6 percent over last year in foreign tourists staying in hotels was already registered and there was also a considerable decrease in foreign travelers who had booked their Italian vacation in advance — 13,000 fewer than last year.

"It's too soon to make gloomy predictions for the final year-end tourist balance," said Franco Falocchia of the information office in the Italian tourist board. "And we must take into account that while Italy increased her foreign tourism by 11 percent last year there was a decrease in world tourism of 1.4 percent, so if we keep an even keel this year we are doing well."

The foreign visitor in Italy will be able to use gasoline coupons for car travel this year but will find average price increases of between 18 and 30 percent over last year's air fares, railroad tickets, hotels and package tours.

While most of Italy's expected 50 million foreign visitors will accommodate themselves in cheap or medium-priced lodgings and the sleeping-bag brigades that bed down in the streets of Florence and Venice every year will probably increase, a blow has been dealt to the quality-seeking sector of tourism.

French travelers, at 5 million last year, second only to the West Germans, will diminish in numbers this year due to the currency exports restrictions limiting them to \$415 a year. The French are traditionally upper-class tourists in Italy and the loss of French currency this year is estimated at about \$900 million.

Election Setback Damages Hopes for Economy

(Continued From Preceding Page)

cialista Italiana, and Ettore Massaccesi, president of the Alfa-Romeo automobile company, warned that "urgent and unavoidable choices," would inevitably be delayed by the surprising results.

What that means in practice was spelled out rapidly by Giovanni Goria, treasury minister in the caretaker government of outgoing veteran Christian Democrat Amintore Fanfani.

In a press conference on June 30, Mr. Goria said that Italy's runaway public deficits were heading for a massive total of 90 trillion lire this year. Mr. Goria said his efforts to rein in the public-spending borrowing requirement for 1983 would almost certainly be scuttled unless corrective action is taken by the end of July.

Mr. Goria has pledged to hold the budget deficit to 71 trillion lire, the same money level as last year, which would be a significant drop in real terms. He said cuts in spending, worth more than 15 trillion lire, had to be introduced within 40 days if he was to achieve that objective.

Turin's moderate daily, *La Stampa*, said that the caretaker government of Mr. Fanfani "cannot launch a severe containment strategy," and that "it requires a stable government with full powers."

Other business commentators in the Italian press have charged that the Fanfani government avoided consulting parliament on the overshoot before so as not to tarnish the Christian Democrats' image for the elections.

Mr. Goria, however, put the blame on institutional problems such as an

increase in the deficit of the Institute for Social Security, the state agency that administers the various pension plans, which it is forecast could reach 133.7 trillion lire this year if no action is taken.

"I am worried, both as a minister and as a citizen, whether the new government will succeed in carrying out the provisions made by the Fanfani government that have not been realized," Mr. Goria, 39 years old, said. His concern is shared by many government economists who estimate privately that the budget deficit reached 15.6 percent of Italy's gross domestic product, a record for an industrial nation. Experts agree that it is the major cause of Italy's high inflation, which reached 16.4 percent in 1982.

Although foreign bankers had been skeptical about Mr. Goria's ability to make what they saw as necessary cuts in welfare spending, many Italian businessmen felt the Fanfani government had come closer to getting it right on the economy than any other administration since the 1973 oil crisis.

In January, the 75-year-old premier, with a reputation for toughness, achieved a major breakthrough, a huge roll-back of union power, when his bright young labor minister, Vincenzo Scotti, persuaded both sides of the industry to agree on a cut in the *scala mobile*, the escalator clause in wage agreements cushioning earnings against inflation.

The accord was a watershed. In the past, the unions' stance had been unequivocal with the slogan "*La scala mobile non si tocca*" ("Hands off the escalator") to be seen on banners unfurled by shop stewards at every

(Continued on Page 105)

Milan Trade Fair

AN APPOINTMENT FOR BUSINESSMEN FROM ALL OVER THE WORLD, A MEETING WITH THE BUSINESS WORLD. FROM 14th to 23rd APRIL, FOR THE GENERAL TRADE FAIR. ALL THE YEAR ROUND, ON THE OCCASION OF ITS 80 SPECIALIZED TRADE SHOWS

TRADE EVENTS SEPTEMBER-DECEMBER 1983

SEPTEMBER

September 1-4
AUTUMN MACERIE '83 - International exhibition of household articles, glassware, ceramics, gift articles, silverware, goldware, precious stones, semi-precious stones, hardware and tools

September 2-4
SUMMER MIAS '83 - International market of sport articles and camping equipment

September 5-7
ANTEPRIMA-IDEAMAGLIA - Women's collections - International knitwear exhibition

September 8-9
INTIMO DOMANI - Underwear collections

September 10-11
AQUARIUM - Collections for the sea

September 10-15
8th EUROLUCE - International lighting exhibition

September 16-18
23rd Italian furniture exhibition

September 19-21
EIMU - International exhibition of office furniture

September 22-24
SMAU '83 - International exhibition for the office: informatics, telematics and communications systems, machines and furnishings for the office

September 25-27
MODIT - International exhibition for women's fashion collections

September 28-30
MILANOVENEMODA 29 - Bride Italy

OCTOBER

October 2-6
MILANO COLLEZIONI - Presentation of spring/summer collections '84

October 10-18
ITMA - 9th International exhibition of textile machinery

October 26 - November 7
48th MIFED - International film, TV film and documentary market

October 28-31
12th INTERSAN - International exhibition of technical and sanitary orthopedics, sanitary articles, surgical instruments, hospital equipment, physiotherapeutic appliances, cosmetics and sanitary articles for early childhood

NOVEMBER

November 3-7
44th MIPEL - Italian leather goods market (international exhibition)

November 4-8
EXPO COMMERCIO '83 - 18th International exhibition of commerce equipment

November 9-11
EXPO TURISMO '83 - 18th International exhibition of equipment for tourists and receptive activities

November 12-14
SIRC '83 - 8th Italian exhibition for collective restoration

November 15-17
10th International exhibition of confectionery and ice-cream products

November 18-20
EBE - 13th European drinks exhibition

November 21-23
SIFRAL - 13th Exhibition of food products

November 24-26
EURO NATURA - 3rd SANIE - Exhibition of herboristery, natural food and beauty culture

November 12-14
BEAUTYSHOW - 5th Exhibition and conference of hair-style, beauty, perfume

November 15-22
3rd SFORTEC - Exhibition of technical sub-supplies (international exhibition)

November 22-26
MAC '83 - 23rd International exhibition of equipment and appliances for the chemical industries and for laboratory research, analysis and tests

November 27-29
SIMES - 11th International wine & bottling machinery exhibition

November 30-December 4
48th International exhibition of cycles and motorcycles

December 5-7
LA MIA CASA - 14th Furnishing exhibition

DECEMBER

December 1-5
6th International exhibition of "DO IT YOURSELF"

December 6-9
ESMA-EUROTRICOT - European knitwear exhibition

December 8-12
EXPO DETERGO '83 - Exhibition of equipment, services, products, and accessories for laundry, drycleaning, ironing, textiles, cleaning, and allied wares in general

The Milan Fair Organization disclaims all responsibility for any changes in the dates announced as above.
Information: Fiera di Milano, Largo Domodossola 1, 20145 Milano (Italy)
tel. 345.32.51/2/3/4, cable Fieramil, telex 331360 EAFM I.

RAS

RIUNIONE
ADRIATICA
DI SICURTÀ
MILANO - ITALY

The Annual General Meeting of RAS-Riunione Adriatica di Sicurtà was held in Milan on 29th June 1983 and adopted as Ordinary Business the Company's Accounts for the year ended 31st December 1982, reflecting a net profit of Lit. 118 bn.

A dividend of Lit. 1,600 per share (1981: Lit. 1,400) was declared, which will be payable as from 19th July 1983.

In their Report, the Directors state that the Company's 1982 figures are not directly comparable with those of the previous year, mainly because the 1982 Accounts do not include figures for the French and Austrian Branch Offices which were transformed into locally incorporated Subsidiaries.

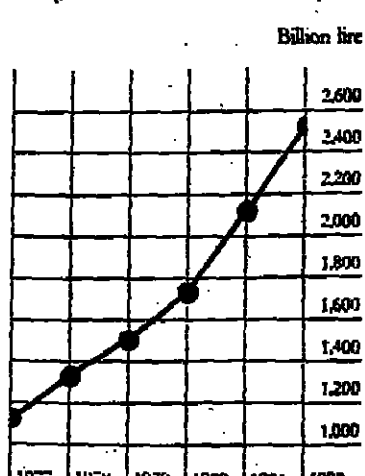
The comparison is instead homogeneous for direct insurances written in Italy, where there was substantial growth in premium income, with increases of 28% being achieved in the Life Branch, 29% in the Accident Account, 30% in the Marine Account and 19% in Fire.

At Lit. 1622 bn. (US \$ 118.4 m.), RAS' solvency margin exceeds the minimum legal requirement by Lit. 61 bn. As Special Business, proposals were adopted to split each of the Company's Lit. 10,000 par value shares into two Lit. 5,000 shares, and to increase its share capital from Lit. 64,800,000,000 to Lit. 87,480,000,000 by means of a combined scrip and rights issue. The merger of four wholly-owned real estate subsidiaries into RAS was also approved.

Directors were elected to serve for the forthcoming three-year period, and at a Board Meeting held after the Annual General Meeting, Mr. Ettore Lolli was re-elected Chairman and Mr. Carlo Pesenti Deputy Chairman, while Mr. Umberto Zanni was re-appointed Managing Director.

HIGHLIGHTS OF ACCOUNTS
RAS ONLY, DOMESTIC AND FOREIGN BRANCH OFFICES
(in US dollars)

	1982
Premium Income	740,204,387
Investment Income	112,233,953
Claims, Maturities and other Benefits paid	422,885,309
Insurance Reserves, Non-Life Branch	663,549,073
Insurance Reserves, Life Branch	451,687,826
Life Sums assured	3,743,524,728
Share Capital	47,299,270
General Reserves	189,334,845
Profit for the year	8,666,492

PREMIUM INCOME OF THE
RAS GROUP
(ITALY AND ABROAD)SALES OF THE RAS GROUP
Premium income breakdown in
1982 (in US \$)

RAS (in Italy and abroad)	740,204,387
Other Italian Group Companies	144,177,901
Foreign Group Companies	949,601,570
Total premiums	1,833,983,858
RAS Group, Life Business	
Total Sums assured	\$ 8,792,556,234

ITALY

Industry: Signals Of Serious Decline

ROME — For Italian industry, the bad news all arrived in April. Overall industrial production in April fell 14.2 percent, against a record April 1982. This followed production drops of 6 percent in January, 8 percent in February and 8.2 percent in March.

It was also in April that the country's four-party coalition government fell and that early elections were set for June, virtually guaranteeing months of political instability and threatening Italy's long-awaited economic recovery.

In addition, the first wave in what promised to be a long series of bitter strikes over three-year contract renewals was in April. A three-sided agreement over wage indexation among industry, government and labor, which had so carefully been put together last January, began to show signs of unraveling. Finally, at the end of the month, Italy officially registered its 36th straight month of recession, marking a three-year anniversary of sorts.

"I haven't seen a situation this delicate for Italian industry in the last 23 years," said Mario Boelli, president of the Italian textile industry association. Unofficial reports indicate that industrial production has since recovered some ground in May and June. Another positive sign is that electricity demand, widely regarded in Italy as an indicator of industrial strength, rose 1.1 percent in June, the first such rise in the last nine months.

These factors, however, are more than outweighed by negative ones. Following the June 26-27 elections, Italy is still without a government and is likely to remain that way indefinitely, so complicated — and so unexpected — were the results. Without a government, any hope of forging a new economic policy for industrial recovery is gone. And with the August vacation season approaching, the setting of a new economic policy — not to mention the constitution of a new government — could be delayed, until well into the autumn.

One economic think tank, Prometeia, in Bologna, has already predicted that Italy's gross national product will decline between 0.5 percent and 1 percent for 1983 after a fall of 0.3 percent in 1982. Predictions originally had been that it would rise between 0.5 and 1 percent. Moreover, most analysts think that Italy will fail to reach its goal of reducing inflation to 13 percent by the end of the year, and that it will probably stay at the present 16 percent.

Not much progress expected in reducing runaway government deficits. Meanwhile, industry's contract re-negotiations with the unions, which affect 1.5 million workers, have reached an impasse and major new strikes are considered likely.

More optimistic estimates are given by ENI (Ente Nazionale Idrocarburi), Italy's giant state holding company for energy and chemicals. GNP should grow by 0.3 percent in 1983, ENI estimates, and then by 3.2 percent in 1984. The net fall in industrial production for this year will be only 1.5 percent, followed by a rise of 3.3 percent in 1984. ENI believes that the government's statistics relating to industrial production for the first half of this year are significantly exaggerated and do not take into account several important sectors in the Italian economy.

As a state-owned company, one of ENI's purposes, company sources said, is to serve a counter-cyclical function by stimulating the economy at times of recession — such as now — through well-targeted investments. An example is the construction of the 1,560-mile natural gas pipeline from Algeria through Tunisia and Sicily onto the southern Italian mainland.

ENI said its 1983 investments in Italy will not be reduced — although some foreign investments will. Its activities, sources said, should go forward as planned, even in the absence of a government. The one exception is the chemical sector, where a government is needed to coordinate and give final approval to an agreement signed by ENI and privately owned Montedison.

Italian industry had been counting on help from two different sources, and by now both of these hopes have faded. First, it was thought that economic recovery in the United States would eventually translate into recovery in Italy as well, but it now appears that Italy, like France, will fail to get any assistance from a resurgent U.S. economy because of built-in structural weaknesses and ineffective government policies.

Secondly, the combination of the drop in oil prices and the devaluation of the lira against other European currencies last March was expected to give Italian exports a boost. It has not, and, experts think, probably will not. Exports of clothing, shoes and furniture, for example — traditionally



Final body-welding of the Fiat Uno.

Concern Over New EC Agricultural Policy

(Continued From Page 75)

10 EC governments have been embroiled for many months in a series of grueling negotiations in an effort to work out a new policy for Mediterranean products prior to Spanish and Portuguese accession.

The aim is to set up a system that would provide elements of support without stimulating the production of surpluses — as has been the bitter experience with products like milk and cereals — but the issue has so far defied solution.

Some experts believe, in fact, that it is impossible to have a support system that does not encourage over-production and they forecast that the EC milk lake could soon be dwarfed by lakes of wine and olive oil produced in Italy, Greece, Spain, Portugal and southern France.

As the community struggles with this conundrum, the pressure for greater protection against external competitors has increased. Italy has been one of the states in the forefront of the battle for tighter tariff controls and "safeguard clauses" in order to counter-balance the impending arrival of Spain and Portugal

with increased curbs on imports from North Africa and Israel.

It remains to be seen how successful Prime Minister Margaret Thatcher of Britain and West German Chancellor Helmut Kohl will be in turning the screw on agriculture, but most governments realize that the community could soon end up broke and politically bankrupt if limits on farm spending are not imposed soon.

Because of the underdeveloped nature of Italian agriculture, against other areas of the community, the country will be sheltered from some of the worst ravages of the expected spending purge but it will not emerge unscathed.

The future development of Italian agriculture will then depend on the shape of the Mediterranean policy adopted by the 10 in order to allow the future 12-nation community to function efficiently and economically. But it seems difficult to imagine that with all the financial stringency and the EC's expansion southward that the golden years of Italy's relationship with the CAP can continue.

three of Italy's strongest export sectors — have declined between 10 and 12 percent in volume in recent months. Whatever gains Italy has realized because of lower oil prices and devaluation have been offset by the dollar's continuing strength against the lira.

Overall operating capacity in Italian industry stood at 90 percent in April 1980, when the current recession began. By the end of 1982, it had fallen to 82 percent. By the end of April of this year, it had sunk to a little more than 70 percent.

The impact has been felt in all industrial sectors, although in some more than others. Considering "traditional" industries, steel production was down 24.6 percent over the first four months of the year, auto sales declined 15 percent in April alone, and chemical production had dropped 7.6 percent. Declines in other industries over the first four months were registered in food (1.2 percent), textiles (10.4 percent), minerals (11.4 percent) and clothing (11.8 percent). In the important machine-tool industry, where Italy ranks second in Europe, domestic orders are down 32.5 percent and export orders 26.7 percent. Even in the arms industry, where production often holds its own during a recession and where Italy ranks fourth in the world among OECD nations, production has dropped off considerably.

One of the few bright spots in Italian industry is Fiat, which has achieved a turn-around in its bread-and-butter automobile division by

cutting jobs, installing robots, spending money on necessary investments and developing an extremely cost-conscious production system. By reducing costs in a declining market, Fiat is beginning to look toward making a healthy profit.

One of the reasons for Fiat's success, analysts feel, was its ability to stand firm against union demands during a 1980 strike, a situation that led to the now legendary march of 40,000 Fiat workers through the streets of Turin in defiance of the unions asking to return to work. Another bright spot in Italian industry continues to be the small and medium-sized companies, often family owned, in northern Italy. Active in many sectors, including even such industries as steel, normally reserved only for large corporations, these companies have been successful because they are extremely adaptable to fast-changing market conditions and because they are small enough to be able to let workers go or to shift them to other positions when necessary without facing union opposition.

While the unions themselves recognize that layoffs and job shifts are necessary to structural reform and industrial recovery, there is a lack of consensus over how this can be done. There is no consensus between unions and industry, between the unions and government, between state and private industries, between different regions and between the unions themselves. And, in the meantime, there is no government either.

Italian industry may have to wait a while yet for some good news.

— ROBERT WAZEKA

New Fortune-Builders Share a Talent For Fast Moves in Finance Market

ROME — Italy's industrial pioneers — among them Fiat, Pirelli, Olivetti, Zanussi, Buitoni — are still very much a part of the nation's economic life.

But in recent years a variety of bright newcomers has arrived, particularly in the fields of real estate and finance. One explanation for this is that while the inflationary thrust set off by the oil crisis of the early 1970s had far-reaching negative effects for industry, it has facilitated those able to make a living through use of the financial markets and involvement in the growing tertiary sector.

Over the last few years several new fortunes have been built by men with no solid industrial experience behind them. What Silvio Berlusconi, Giuseppe Cabassi and Orazio Bagnasco have in common — other than sharing the contemporary financial limelight — is a meteoric rise in finance that has its origins in gigantic real estate operations of one type or another.

Silvio Berlusconi, 45, from Milan, began as a contractor, went into real estate and recently into publishing and the rapidly developing commercial television sector. Mr. Berlusconi's first major coup was the construction and sale of "Milano 2," a landscaped modern satellite city outside Milan that houses more than 10,000 people.

Using his holding company Fininvest, Mr. Berlusconi is engaged in attempts at finding his current real estate project, "Milano 3," apparently with somewhat less success. But his first venture into commercial television, a private station called Telemilano that began operating in 1976, has now become the nucleus for the

"Channel Five" network that now has a larger TV audience — and the advertising revenue to go with it — than the second (and smaller) channel of RAI, the Italian state television network, and as of the latest statistics released early this month, more spectators than RAI's first channel four days of every week.

As if this was not enough, Mr. Berlusconi — who had no previous publishing experience or interests — has purchased at least a third of the conservative Milan daily Il Giornale Nuovo and set up a new network, RETE 10, that has bought the rights to Italia Uno, a second popular private TV network that had been established by veteran publisher Edilio Rusconi.

Late last year insiders were predicting that the two Berlusconi networks together could this year count on between 350 billion and 400 billion lire of advertising. Mr. Berlusconi's chances to reach this record were further improved last month when he concluded a deal to buy 52 percent of Sorrisi e Canzoni TV, Italy's single most popular television magazine from the heavily indebted Rizzoli publishing company.

Giuseppe Cabassi is another type of mover and shaker. Milanese, now 54, he is known for his ability to transform the vast real estate inheritance left him by his father, who owned a series of sand quarries outside Milan, into an empire of financial interests that ranges from insurance (six of Italy's top companies) and stocks, to hotels, tourist villages and services.

In 1979, Mr. Cabassi emerged with the controlling interest in Rinascente, the major Italian department store chain.

Last year Mr. Cabassi was frequently mentioned as a possible purchaser for the Rizzoli Milan daily, Corriere della Sera, but negotiations appear to have come to a standstill.

But Mr. Cabassi's major project is Milanofori, a commercial center being constructed at Assago on the Milan-Genoa autostrada that is expected to become headquarters for scores of major Italian companies as well as for the Italian world trade center being sponsored by CONFINDUSTRIA, the Italian national manufacturers' association. His major problem, insiders say, is liquidity and this could be greatly eased if land values for the MILANOFORI area continue to rise.

A third newcomer is Orazio Bagnasco, a 56-year-old financier originally from Genoa whose current financial empire got its start in 1969

with the establishment of a Swiss-based mutual fund (until this year mutual funds were not legal in Italy) centering on real estate investment and leasing.

Mr. Bagnasco's then unequalled brainchild was the creation of a network of about 1,200 door-to-door salesmen who, selling his fund, were said to collect between 100 billion and 150 billion lire a day from Italian family savings.

Like Mr. Berlusconi and Mr. Cabassi, Mr. Bagnasco first attracted major public attention when he made a conditional offer to buy up the assets of the collapsed Caltagirone real estate empire in the late 1970s. Then, in 1980 he used his holding company, FIMPAP, to stage what has been termed a brilliant financial operation that left him with a controlling interest in the CIGA chain of Italian luxury hotels.

Vice president of the Banco Ambrosiano until shortly before its collapse after the disappearance and subsequent murder of bank president Roberto Calvi last year, he also purchased 44 percent of Valtur tourist villages from Fiat. His latest coup was authorization in early July by CONSOB, the Italian securities and exchange commission, for the publication of offer documents for two new Italian mutual funds.

All this is not to say, however, that the only new fortunes being made in Italy these days are financial. Several new industrial empires have also been constructed by relative newcomers.

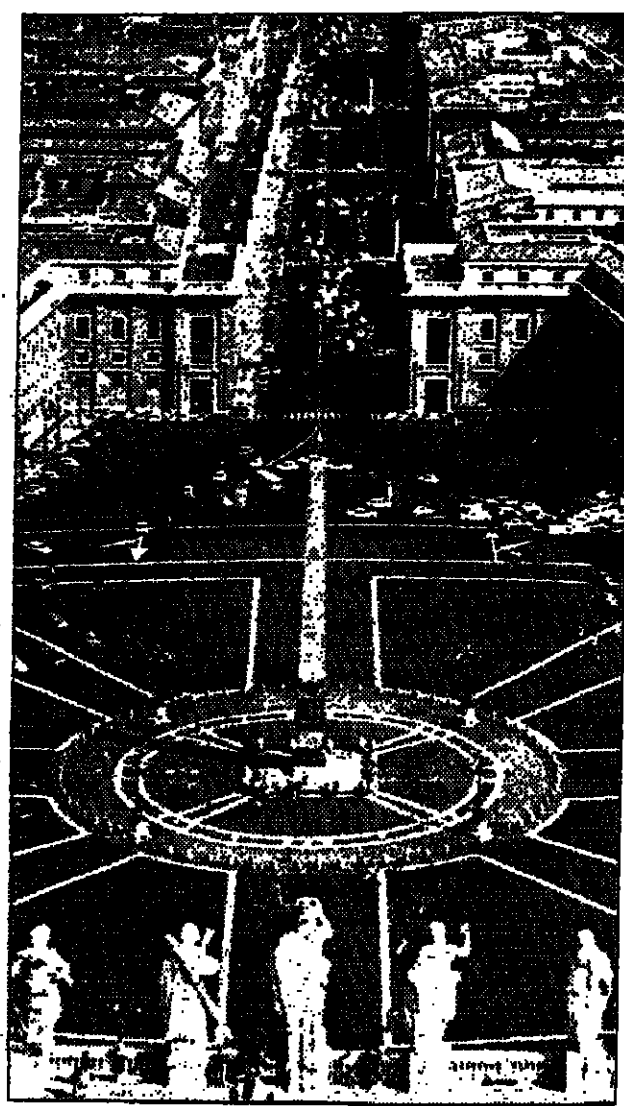
One example is that of the Benetton family. In 1966 the four Benetton siblings — Luciano, Giuliana, Gilberto and Carlo — began a small knitwear company that over the years has mushroomed into an industrial operation that at last count involved the annual production of more than 20 million wool and cotton sweaters and pullovers, seven million pairs of pants and yearly sales of more than 400 billion lire.

The Benetton's seven trade marks — the best known are Benetton and Jean's West — are sold throughout the world in more than 2,000 franchised stores.

Another force that must be reckoned with is Calisto Tanzi, the 44-year-old head of the extensive Parmalat empire. Mr. Tanzi's long-conservation milk and whipped cream, his yogurt, dairy deserts and well-packaged juices are now sold throughout the world, for an annual turnover of close to 500 billion lire.

— SARI GILBERT

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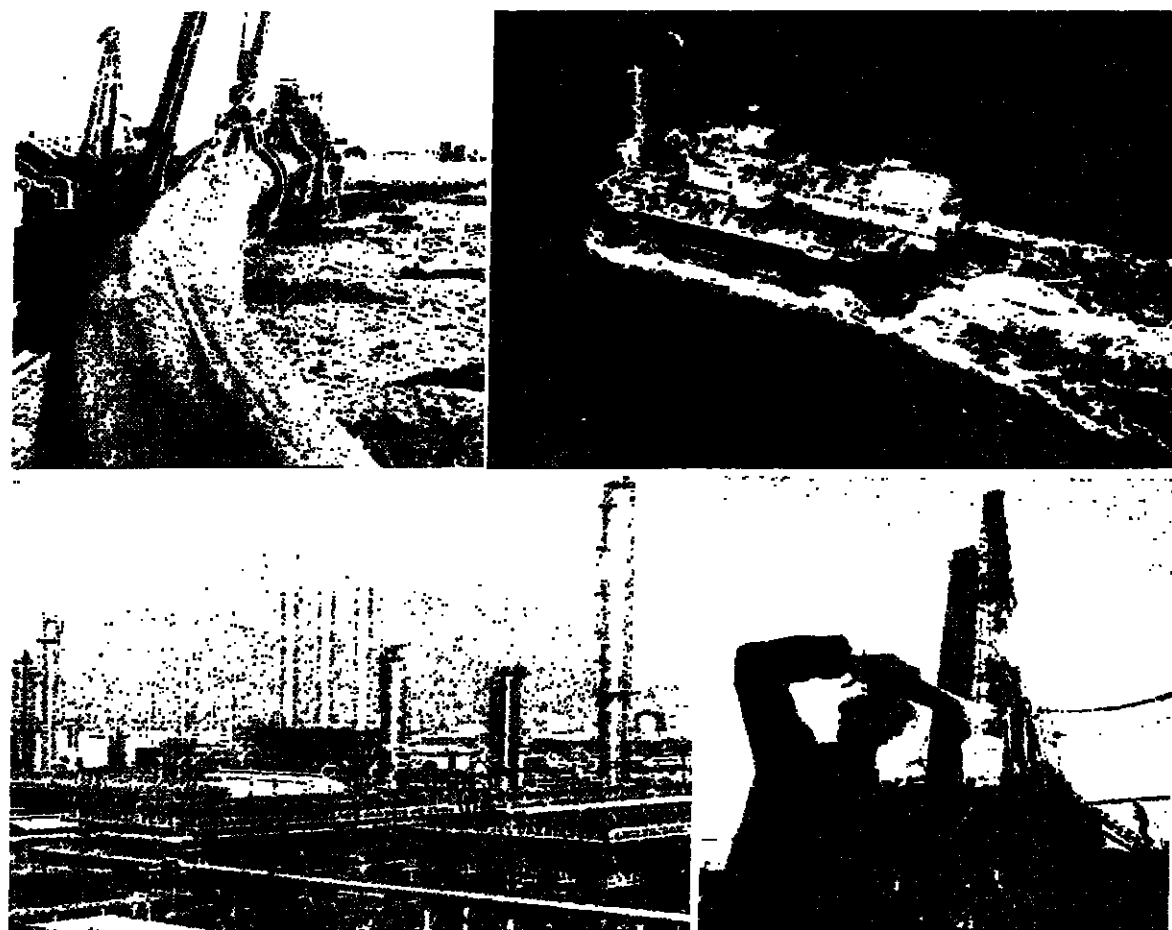
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ITALY

Recession Reaches Motorcycle Sector

ROME — Recession at home and fierce Japanese competition abroad have dealt heavy blows to the once thriving Italian motorcycle industry, causing a dramatic drop in output and profits in the last two years.

Aided by a favorable climate and sympathetic governments that erected a virtually impenetrable barrier of protectionist measures around the home market, the two-wheeled vehicle business was until recently still one of the most prosperous in Italy.

Enthusiasm for the country's stylishly designed scooters, mopeds and superbikes spread to foreign markets and in 1981 more than 70 concerns contributed about \$150 million in much-needed foreign exchange for the balance of payments.

Even the 1973 oil crisis, causing a heavy contraction in auto sales even among speed-loving Italians, seemed to work in the motorcycle producers' favor as consumers were forced to look for ways to reduce fuel bills.

The state encouraged that attitude, going to the length of placing advertisements in subways and other public places in order to boost motorcycle sales and reduce the oil-import burden.

That policy contrasted strikingly with government policy in Britain and other major European markets where the state tended to encourage people to travel in cars because of a high number of motorcycle-related accidents and differing industrial policies.

But despite that assistance, producers agree that for the moment at least their run of good luck has come to an end. Nowhere is the turnaround more clear than in the change of fortunes suffered by Piaggio, Italy's leading scooter, moped and three-wheeler manufacturer. The Genoa-based concern's profits last year fell from 20.1 billion lire to 728 million lire in 1982 after setting aside 57 billion lire for depreciation and other provisions. Turnover improved only marginally, reaching 628 billion lire last year, against 626 billion lire in the previous year.

Output was down 16 percent to 768,000 in 1982, compared to the more than 900,000 vehicles produced by Piaggio in the preceding year. Exports fell to 37 percent of total production from 41 percent in 1981.

Executives attributed the setback to flagging home demand and the impact of Italy's sky-high inflation on operating margins. They added that they were pessimistic about future prospects.

Despite a major investment program that saw an injection of about 80 billion lire in product and manufacturing operation improvements, the company has had to place 3,000 of its 12,000 employees on state-subsidized layoffs.

Motorcycle dealers say the only section of Piaggio's home market that has been relatively cushioned from the overall drop in spending is the sale of 50cc, or smaller, engine mopeds.

In overseas sales, Piaggio and the Italian industry as a whole are known to have been badly hurt by the flattening out of the U.S. market. Italian exporters say a secondary effect of that contraction was that the big Japanese producers suddenly found themselves with vast quantities of surplus machines.

The Japanese quite simply dumped their excess output on European and other world markets, selling at competitive prices that their Italian rivals, without the same capacity for mass production, were mostly unable to match.

Even U.S. companies such as Harley Davidson found themselves in serious trouble. Some Italian companies found themselves being supplanted in foreign markets of the Third World by up-and-coming local companies that discovered they could easily copy the simple technology of many motorcycle engines.

In India, for example, Piaggio's scooter manufacturer Vespa found itself embroiled in a legal battle with a local company called Baja which it had previously had a licensing agreement. Italian experts say Baja recently refused to renew the agreement, deciding instead to produce similar scooters on its own without paying Piaggio a cent, thus knocking the Italians out of a huge section of their Far Eastern market.

Piaggio has appointed a former senior executive with Olivetti, Vittorio Levi, as managing director, in an attempt to resolve some of its current problems.

Moto Guzzi and Benelli, the two giants owned by expatriate Argentine businessman Alejandro de Tomaso, are also said to be feeling the recession at home.

— JOHN PHILLIPS

Police Mobilized in National Bid to Stamp Out Organized Crime

ROME — Italian police are leading the fiercest battle ever against organized crime here, believed by authorities to have replaced terrorism as the greatest threat to Italian society.

In recent months, Italian magistrates in the south have stepped up investigations into the illegal activities of the region's criminal underworld and the related bloody gang wars that in the last three years are estimated to have taken more than 1,000 lives.

Last month, investigators in the Naples area ordered a police sweep that in 24 hours netted 454 suspected members of the Camorra, as the local criminal underworld is called. The total number of arrests resulting from that inquiry has so far reached about 600. In Palermo, too, magistrates are trying to prove the Sicilian Mafia's ties to the international heroin trade and with its grip on the Sicilian and Italian economies.

Although terrorism has not disappeared from Italy — as was demonstrated by the murder by terrorists on June 26 of Bruno Caccia, a Turin district attorney — it has declined sharply over the last year and a half.

Interior Minister Virginio Rognoni, a Christian Democrat, attributed the decline of the Red Brigades and other leftist terrorist groups to the combination of increasingly effective police methods, a change in the Italian political and cultural climate and the arrests of several leading terrorists following the police rescue of U.S. Brigadier General James L. Dozier in January 1982.

With the decline of political violence — there have been only two political murders by terrorists so far this year — Italy's police and carabinieri have shifted their attention increasingly to organized crime.

This first became evident in June 1982, when

Carlo Alberto dalla Chiesa, a carabinieri general who for years had been the leading figure in the fight against terrorism, was transferred to Palermo to head the battle against the Mafia. Three months later he and his wife were murdered in a Mafia ambush.

"At this point the Mafia is more dangerous than terrorism," said Giovanni Falcone, a bearded Palermo magistrate who has been working full-time on anti-Mafia investigations since 1980 and who nowadays goes nowhere without a heavily armed police escort.

In the first place, Mr. Falcone said, the Mafia has deeper social and cultural roots than terrorism and is more insidious since it works through exploiting the system rather than trying to destroy it. Secondly, he said, unlike the United States where crime profits are generally reinvested in illegal or semi-legal activities like gambling, in Italy illicit earnings from heroin smuggling are being increasingly poured into legitimate businesses with a consequent distortion of the economy.

Once a rural-based Sicilian hierarchy run by respected local "bosses" who gave tradition and complex codes of honor the same importance as power and wealth, today's Mafia has become a multimillion-dollar international business based on a massive heroin smuggling industry said to bring profits — the so-called "narcotic" — of close to \$1 billion a year.

Experts believe that Sicily's geographical position in the Mediterranean, the Mafia's long experience in cigarette smuggling and its base solidity as an organization — despite a current two-year lull in international narcotics smuggling.

The fact is that since 1977 when a crackdown by French and American police successfully closed

down the "French connection," Palermo has replaced Marseille as the central refining and distribution center for Western narcotics. The Mafia's new-found enormous wealth has given it worrisome ties to the world of legitimate Italian finance. Mr. Falcone said, a development that contrasts with old assumptions that the "feudal" Mafia of the past with its charismatic leaders and strictly observed territorial fiefdoms was a symptom of Sicilian economic underdevelopment and in time would disappear.

Instead, investigators say, the Mafia left the countryside and, prospering through rackets, kidnappings and eventually drugs, installed itself successfully first in Sicily's cities and later in other parts of Italy.

Although the Naples-based Camorra, with its complex membership rituals, goes back more than a century, Italian police in the area believe that the astonishing rise to power and predominance of the jailed Camorra leader Raffaele Cutolo — once one of scores of minor cigarette smugglers in the area — can be attributed to his "appointment" several years ago by the Mafia. Mr. Cutolo, known variously as *O Sonmo*, the highest one, *O Zio*, the uncle, or *O Vangelio*, the gospel, is opposed by other bosses in the area who have now regrouped in a loose alliance called the "new family."

However, since the earthquake of November 1980, with its shattering effects on the local economy, his "new organized Camorra" has merged salaried members into a giant organization with thousands of "salaried" members, or *compariati* and enough clout to demand "contributions" from half of the 52,000 shopkeepers and merchants in the Naples province.

The crackdown on Mr. Cutolo's organization that began last month has been traced to the

confessions of several ex-Camorristi, chief among them a former Cutolo lieutenant, 41-year-old Pasquale Barra, known as *O Animale*, the animal.

But according to the Naples prefect, Riccardo Boccia, who in a special report to the interior minister earlier this year described the Camorra as an organization that has set itself up as an alternative to the state, it will be impossible to defeat the Camorra as long as Naples has 140,000 unemployed and the surrounding province a total of 340,000.

With potential informers too frightened by the harsh punishments meted out to those who break the iron rules of *omertà*, or silence, getting at the Mafia has so far proved even more difficult. Today, however, magistrates in both areas are relying increasingly on their new powers to delve into bank statements, company finance sheets and other personal documents of suspected Mafiosi in an attempt to get at them by pinpointing the illegal sources of wealth.

But because the Mafia's long-standing practice of corruption, cover-up and, when necessary, blackmail has given the criminal underworld strong ties to at least local political and economic notables, it is not going to be easy. "It will be a very long struggle for us," said Mr. Rognoni, who noted that the Mafia's traditional role as a parallel institution in rural Sicilian society makes it harder than terrorism to isolate in the eyes of public opinion.

Others blame the dominant Christian Democrats, Italy's largest party, who since World War II have viewed Sicily as a prime reservoir of votes. With the Mafia being seen as an anti-communist bulwark, the tendency was to allow it to operate and now it has gotten too big to control, the critics say.

— SARI GILBERT

Palermo's New Mayor, a Woman, Faces Challenging Urban Problems

PALERMO — On the surface, the recent election of a woman mayor in Palermo, the capital of Sicily, appeared to be an unexpected move by the local Christian Democratic Party in the name of change and progress.

The election last April of Elda Pucci was greeted by excited headlines in both the Italian and foreign press. A respected pediatrician and hospital administrator with a gentle but firm manner, Dr. Pucci almost overnight — and apparently much to her own surprise — became the first woman mayor of any major Italian city.

But, however pleasing in principle her election is to Italian feminists, the chances for real change under Dr. Pucci are limited. Moreover, progressives are concerned about the ongoing economic and social deterioration of the Sicilian city that investigators now believe the Mafia has made into a major heroin-smuggling center.

The most cynical in Palermo see her designation by the dominant Christian Democrats — the city's most powerful party, which has controlled the local government for the last three decades — primarily as a calculated "look how we've changed" operation by the party that also served to at least temporarily paper over its own sharp internal divisions.

Some, who give credence to Dr. Pucci's avowed intentions to deal with some of Palermo's trickiest problems — she has promised to look at housing and

unemployment, to close the city center to traffic and decentralize cultural and sports activities — are concerned that her weak position as an obvious compromise candidate will work against her pledge to "run things my own way."

Still others, made wary by the mayor's own low-key assessments of the city's ills and their causes, believe Dr. Pucci is not much more of a mover and shaker than the long list of her disappointing predecessors. With 43 percent of the vote in the province of Palermo, critics said, the Christian Democrats see no real need for change in the area and would be loathe to rock the boat.

Years of neglect by local authorities and the central government have caused law and order on the island to deteriorate to the point where gangland wars take as many as 300 lives a year in the Palermo area alone.

In addition, economic and social conditions in Palermo are alarming. Although sixth among Italy's cities in terms of consumption, Palermo with 700,000 inhabitants has more than 50,000 unemployed and ranks 72d in terms of income production. Failure to act has left the city with water supplies that are so inadequate that last fall Prefect Emanuele de Francesco, Mr. Dalla Chiesa's successor, ordered all private wells in the city taken over by the government.

The city has poor transportation and sanitation facilities, a lack of public schools, a dearth of park and recreation areas, and a downtown area that has deter-

iorated to a degree that some say is unprecedented in the developed West.

By day, the *vucciria*, a sprawling central market that closely resembles a North African souk, is bustling and alive as vendors jostle each other and buyers.

By night, the same area is deserted, with building after building abandoned to an assortment of stray cats and scampering mice. The results of years of city housing policies that encouraged profitable private construction in ugly suburban areas rather than inner city renovation, are easily visible. Thirty years ago, 125,000 people lived in Palermo's historic center, with 216 hectares the largest in Italy. Today, only 38,000 people live there, one-fourth in houses believed to be unsafe.

And yet, insisted the mayor — although she admitted that Sicily has been hurt by the absence of a "bureaucratic tradition, an entrepreneurial spirit, also in the public administration" — the problems of Palermo "are those of any large modern metropolis."

Furthermore, she said: "The Mafia is not a problem limited to Palermo. It may have been born here, historically, but it has spread so that organized crime is as much a feature of life in northern cities like Milan as it is here."

The new mayor, who is unmarried and lives with her 82-year-old mother in an elegant downtown high-rise, is offended by the notion that all Sicilians are *mafiosi*, and she said that most *palermitani* are decent, law-abiding citizens.

Others, however, said that the Mafia had gone unchecked for so long that it now lives in symbiosis with the city. "The Mafia touches the lives of everyone; you shake hands with someone, even someone you would never suspect, and you just never know," said Father Vincenzo Noto, a priest who works closely with the city's outspoken anti-Mafia archbishop, Cardinal Salvatore Pappalardo.

"The fact is that the Mafia is so deeply involved in Palermo that it has become a major support of the local economy," said a veteran Palermo newsmen. He said that the degree of social control exercised by the Mafia can be seen by a comparison with Naples. "They are both economically disadvantaged cities, but whereas Naples periodically explodes, Palermo never does," he pointed out.

Interestingly enough, with Sicily's reputation for machismo, no one seems to have objected to Dr. Pucci on the ground that she is a woman. The mayor herself said her experience both in local politics and medicine — she is chief pediatrician at the city's children's hospital — had shown her that gender is not a problem.

"Here, as elsewhere in Italy, most people are very concrete and are quick to recognize it when a woman is good at her job," she said. "Some of the images of both men and women in Sicily have become outdated."

— SARI GILBERT

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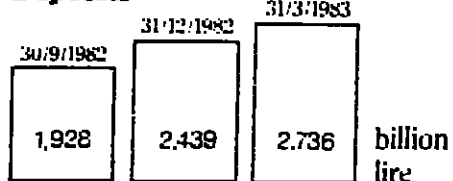
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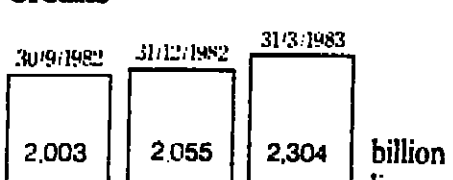
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ITALY

Lebanon Mission Is Restoring Pride To Italian Military

ROME — The first major exercise in more than three decades by the Italian military, the ongoing and successful operation by the 2,000-man force in Lebanon, has brought satisfaction to Italian policy-makers long eager for a greater role in the Mediterranean and a new sense of pride to the generally low-profile and oft-battered armed forces.

In recent years, the armed forces have suffered indirectly and directly from widespread anti-militarism left by the exploits of the Mussolini era. This has meant one of the lowest defense budgets in the West and attacks from Italian political groups, who have generally been quick to criticize the military and accuse it of poor performance.

But for once, public and political opinion rallied around the armed forces, rather, as has often happened in the past, than raking them over the coals. This was taken by many as a clear sign that the Defense Ministry's attempts to create a new image for the Italian military has been paying off. At present, in fact, the Italian military presence in Lebanon is supported by all the country's political forces, with the exception of the radicals and some small far left groups.

After a three-week mission last summer designed to facilitate the exodus from Beirut of the Palestinian guerrillas, the Italians returned to the area with a larger force on September 25 and — together with the French, the Americans and more recently a small British force — have been there ever since.

Last March, seven Italian marines, called *marò*, were injured, one fatally, when unidentified terrorists ambushed a patrol on a road running from the Beirut airport to the Burj al-Burajneh Palestinian camp. The death of a 20-year-old seaman, Filippo Montesi, brought home to many Italians for the first time the fact that the 1,998 Italian soldiers, marines and paratroopers under the command of 49-year-old General Francesco Angioni were operating in a dangerous war zone.

Even the Lebanese mission got started under a cloud. The Governolo battalion's departure from Italy coincided with a terrorist attack on a military unit that gave rise to sharp criticism about the army's preparedness. And to make things worse, one of the two ships taking the Bersaglieri foot soldiers to Lebanon had a motor breakdown.

But the operations of ITALCON, the Italian contingent of the multinational force in Lebanon, seem to have made a substantial change. Although an Italian helicopter squadron has been part of the UNIFIL force at Naqura in southern Lebanon since July 1979 and three Italian minesweepers are operating with the multinational force and observers in the Sinai that was set up in April of last year, the current Lebanon operation has put the Italian contingent back on the international military map.

The Italians — with no superpower or ex-colonial image to overcome — seem to have been given the most sensitive role. While the French patrol the old city and the U.S. Marines guard the airport, the Italians' prime responsibility after last September's massacre in the central sector, which includes the Shatila and Burj al-Burajneh camps where 25,000 Palestinians still live.

And although Italian Defense Ministry sources continue to say that there are no plans to enlarge the Italian contingent's present role, there has been insistent press speculation that withdrawing Israeli forces from the Shatila Mountains may eventually be replaced by Italian troops from the multinational peace force.

The first troops to go to Lebanon last summer were the Bersaglieri, with their traditional running step and black-feathered helmets. The 2,000-troop Italian contingent currently consists of infantry troops from the Montebattaglia battalion in Bergamo, paratroopers from Leghorn's Folgore battalion, marines from the San Marco battalion and several hundred logistics troops.

Although in the early stages the troops sent to Lebanon were volunteers, today the bulk of the force is made up of regularly assigned draftees, sent with their companies for four-month tours and motivated by special salaries, which as of July 1 have risen to 3 million lire — about \$2,000 — a month.

—SARIL GILBERT



Left, the grape harvest in the Chianti region. At right, abundance at a local market.



Stagnant Agricultural Sector Remains a Source of Potential Wealth

ROME — When Italy became part of the European Community in 1957, Italian agriculture was considered the Cinderella of the European farming world. Vast progress has been made since then, but agriculture is still a weak feature of Italy's economy — and yet, potentially one of the richest.

The reasons for the present stagnant situation of Italian agriculture are both economic and traditional. While the industrial boom of the 1950s drained much of the potential farm labor force away from the land to the cities, the traditional farming system remains what it was generations ago.

An agricultural census carried out last year showed that productive farm land in Italy had fallen by 6.2 percent, or 4.25 million acres (1.7 million hectares), to a total of 58.1 million acres since 1971, and the average farm now has a cultivated area of about 18 acres, far less than the average EC farm. Most of Italy's 3.28 million farms are worked by *coltivatori diretti* or small land-owning farmers who by law provide one-third of their own labor from their families.

Only about 232,000 acres of Italian land is owned and run by large financial groups, banks and insurance companies that need to put their profits into land or building investments. Most of these are in the relatively fertile northern areas of the Po valley, Tuscany, Lombardy, Piedmont and a few in the southern region of Puglia.

The census also showed a decrease in the farm labor force, which has lost about 150,000 workers over the last 11 years. Agricultural labor is estimated at about 14 percent of Italy's work force. "We are still one of the leading agricultural work forces in Europe," said Rinaldo Chidichimo, director general of the Italian Confederation of Agriculture, *Confagricoltura*, in

Rome. "But it is largely untrained and lacks specialists."

A spokesman for the leftist farmer's union *Confcoltivatori* said that Italy needed more EC farming subsidies since the main agricultural problem is lack of capital. "If a young person wants to go into farming today," said Alfredo Bernardini, "he can do little without good substantial investment behind him." And, in fact, Italy's 18 agriculture university departments seem to have the lowest calling of any university department, dropping from a total of 8,447 students in 1976 to 6,789 in 1982.

Would-be investments are not encouraged by a 16-percent average inflation rate, which, despite the advantageous "green dollar" used in evaluating agricultural exports and import subsidies, means that Italian farm product prices are usually higher than other EC countries whose inflation rates are lower.

It proves cheaper to import many basics like milk products and meat (meat imports rose by 32 percent in 1982), which Italy could produce itself given a more advantageous pricing policy, lower inflation and invested capital.

Not the least of Italy's agricultural problems, however, is the weather. Most southern regions, which largely depend on agriculture for their income, have been struck by a severe lack of rain over the last three years. The southeastern region of Puglia, the heel of Italy, has had 10 to 12 inches of rain so far this year, with disastrous results.

An estimated 70 percent of the grain crop in the Foggia province plains, known as one of the bread baskets of Italy, has been lost. Although Puglia is irrigated by artesian wells, sunk in some cases up to 1,000 feet underground, even these are suffering from lack of rain and could dry up totally.

"Part of these troubles are of our own making," said Massimo Alliprandi of the Christian Democrat Farmer's Union, (*Confederazione dei Coltivatori Diretti*), which has almost 2 million members. "We should have more efficient irrigation systems, in the drought areas, for instance. A recent study shows that last year only 40 percent of Sicily's annual rainfall was utilized, the rest went to waste."

Among southern Italy's greatest sources of income are the traditional Mediterranean crops of tomatoes, olives and citrus fruits. Apart from lack of water this year, these crops are severely hampered by the small farming principle, except in the cases of large cooperatives in Puglia, the Naples region of Campania and a few large privately owned fruit-growing properties in Sicily.

"The division of southern fruit growing areas into small properties means that the final quality of the product is uneven," said Mr. Chidichimo of the confederation of agriculture. "We should either standardize our products after doing market research on the type of citrus fruit we can best produce to suit demand, or we should expand secondary fruit markets like fruit juice and preserves." At present, large masses of second-grade fruit are destroyed every year.

Fruit farmers also see a threat from Spain's entry into the Common Market, and a flood of Spanish oranges, apricots and olives on the European (including Italian) market at lower prices and for longer periods given the early ripening and lower costs of the Spanish products. Italy's total production of 16,000 pounds of non-citrus fruit, 6,200 pounds of oranges and 4,800 pounds of apples last year contributed to a total Italian fruit export to the value of 1.107 trillion lire. Italy kept its position as the world's second-largest fruit orchard after the United States, although

production was still 9 percent lower than the previous year.

"We are continuously being told we should invest, more and improve our crops," said a *Confagricoltura* spokesman, "but we run the risk of working for the fruit garbage dumps." Transport is another problem for the Italian fruit industry.

"We are still backward in this sector," Mr. Chidichimo said. "To compete with both Common Market and non-Common Market fruit growers we need swifter and more capacious facilities such as more refrigerated railway carriages and road trucks."

One successful Italian product is wine, although figures for this year's wine exports between January and March show a drop of 48 percent over the same period last year. But Italian wine has advanced in quality as well as quantity, and while agricultural experts say there is still room for improvement and expansion, Italy has now overtaken France as the world's largest wine exporter.

There is concentration on quality wines rather than quantity for although wine consumption in Italy has decreased over the last two years by 15 liters per capita, and vineyard cultivation cut back by 18 percent over the last 11 years, total wine production has increased — and improved.

Vineyards can also be cultivated on hill country, which makes up most of Italy's agricultural land (46.5 percent) but further incentive is needed for productive hill farming. A recent convention was held by the *Confagricoltura* to promote development of hill farms. "We are pushing to promote livestock farming, that would be most suited to our type of hilly terrain, which is difficult and expensive to cultivate for crops," Mr. Alliprandi said.

—JANET STOBART

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Credit

By Robert A. ...
NEW YORK — ...
... have responded ...
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U.S. CREDIT

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Currency	Rate
Deutschmark	1.93
Swiss franc	1.75
Japanese yen	163.75
British pound	1.54
French franc	6.55
Italian lire	2036.27
Spanish peseta	166.64
Portuguese escudo	200.48
Belgian franc	36.36
Dutch guilder	3.76
Austrian schilling	13.76
Scandinavian currencies	...
Other currencies	...

MONDAY, JULY 18, 1983

Page 13

EUROBONDS

By CARL GEWIRTZ

BIS Warning on Brazil Repayment Sends a Shiver Through Markets

PARIS — Financial markets were mesmerized last week by the high-stakes poker game being played in Basel and Washington. In Basel, the Bank for International Settlements, which has repeatedly made it clear that no major country debtor or commercial bank leader would be allowed to go bust and bring down the international financial system, suddenly warned that it would not roll over for a third time a \$400-million loan to Brazil.

The BIS bluff worked and by week's end, with President João Baptista Figueiredo of Brazil beginning an up to two-month recuperation from open-heart surgery performed in Cleveland Friday, Brazil and the International Monetary Fund were saying that they had broken their long deadlocked talks on the austerity measures that Brazil would impose to fulfill earlier pledges made to the IMF. Noncompliance with those earlier targets had caused the IMF to block any further loans to Brazil, making it impossible for Brazil to repay the BIS on schedule.

With the formal signing of the agreement expected this week, the BIS announced that its overdue loan, while not formally rolled over, was being extended. Whereas previous extensions were for a fixed period, there is no time limit on the latest renewal, although obviously the BIS expects to be repaid as soon as the long delayed \$411-million portion of the IMF loan is disbursed.

The aim of the BIS was to prevent Mr. Figueiredo's scheduled surgery and long convalescence from being used as an excuse to further delay an accord with the IMF. At the same time, however, the BIS warning sent a shiver of fear through financial markets — expressed as a sharp rise in the value of the dollar and the price of gold.

Dollar Gets Another Boost

The dollar, buoyed by a tightening in U.S. interest rates, got a further boost from news reports from Washington that a rise in the Federal Reserve's discount rate, currently 8 1/2 percent, was imminent. This news leak also appeared to be a bluff. The Fed chairman, Paul A. Volcker, testifying at his reconfirmation hearings last week, told senators to expect nothing dramatic from the June meeting of the policy-making Federal Open Market Committee meeting. He did allow, however, that the Fed was being less accommodating to the increases in money-supply growth than it had been.

This left observers wondering whether the leaks about the discount rate were aimed at placating congressional critics of Fed policy — only money-market rates are rising, not the discount rate — or whether they were aimed at preparing public opinion for an increase but at a later date. One theory going the rounds was that the Fed would hold the discount rate steady as short-term rates move up and thereby encourage commercial banks to make greater use of the cheaper discount facility. According to this theory, after several weeks of very large discount borrowings by banks, the Fed will then say it was forced to hike the rate to temper the pace of loan demand.

In the expectation that the robust U.S. economic recovery and sharply increasing measures of money supply will force the Fed to tighten further, the dollar soared on the foreign-exchange markets. It broke through the psychological barrier of 2.58 Deutsche marks to touch 2.60 DM last week as short-term dollar interest continued to firm, with overnight dollar interest touching 9 1/2 percent.

Bereft of Investors

Against this background, the Eurobond market was bereft of investors. In the dollar sector, the only new issue was a \$100-million swap by Mitsui Finance. Its seven-year bonds were priced at par bearing a coupon of 12 1/2 percent but were quoted on a when-issued basis at a discount of 1 1/2 to 2 percentage points.

Critics observed that the coupon offered was not wildly out of line with prevailing yields, but that there were simply no buyers of dollar paper at present. The swap, it was learned, will provide Mitsui with seven-year money at one-sixteenth of a point below the London interbank offered rate — the base lending charge for the majority of syndicated bank loans. What could not be learned is why Mitsui would insist on marketing paper that risks leaving a bad taste with the market for such a slim gain in its floating-rate cost of funds.

In the DM sector, where the month-long calendar dictates timing, three new issues were marketed last week but none with any great success. (Continued on Page 15, Col. 3)

Eurobond Yields	
For Week Ended July 13	
10% Inst. to term U.S.	12.57 %
Ind. long term, U.S.	12.54 %
Ind. medium term, U.S.	12.07 %
Cons. medium term	12.05 %
French Fr. medium term	12.85 %
Inst. to term yen	7.00 %
ECU medium term	12.30 %
EUA long term	10.18 %
Inst. to term FLX	10.39 %
FLX long term	10.12 %

Calculated by the Luxembourg Stock Exchange.

Market Turnover	
For Week Ended July 15	
(Millions of U.S. Dollars)	
Cash	7,539.40
Forward	8,951.0
Forward	8,951.0



M-20 personal computers being tested at Olivetti's factory in Scarmagno, near company headquarters at Ivrea.

Olivetti Plans U.S., European Expansion

By Axel Krause

International Herald Tribune

IVREA, Italy — Before going off on vacation this month, top executives of Olivetti, Western Europe's largest maker of electronic office equipment, have been putting finishing touches on major expansion moves planned for the United States and Western Europe, notably in France.

The moves in the United States, the most ambitious in the Italian company's history, include starting a \$100-million offshore-capital-venture fund in New York in September.

Olivetti also plans to list its stock on the New York Stock Exchange, probably by next June, and during the past several weeks it has been studying proposals for the listing made by leading U.S. investment banks, including Lehman Brothers, Kuhn Loeb and Morgan Stanley.

"It looks as if we are going to have a very exciting and busy autumn," said Eusebio Pini, director of corporate strategy, who will help manage the venture fund — the latest in a series of moves by Olivetti to tap U.S. technological, financial and managerial resources.

Meanwhile, Carlo de Benedetti, vice chairman and chief executive officer, is waiting for a response from the French government on Mr. de Benedetti's demand that France reduce its 32-percent shareholding in Olivetti to 10 percent as a condition for new expansion in France by Olivetti.

The stake, the largest in Olivetti, was acquired by the French Socialist government last year when it nationalized the Saint Gobain industrial group, which had wanted to merge its electronics business with Olivetti's. Saint Gobain had bought the 32 percent interest in Olivetti three years ago. Mr. de Benedetti has offered to buy back the shares.

Olivetti and CIT-Alcatel, a subsidiary of another nationalized French company, Compagnie Generale d'Electricite, recently initiated an agreement to jointly develop and produce at least 100,000 new-generation electronic typewriters a year at a plant in France, but Olivetti says it will not proceed with the deal until the shareholding issue is resolved.

This venture with CIT-Alcatel, suggested by the French, could be very significant for us and for France, one of our largest markets," Mr. de Benedetti said in a recent interview at Olivetti's headquarters in Ivrea, in the Piedmont. "They now have all the elements and we have laid out all our arguments, including that our original agreement with Saint Gobain stipulated cooperation. It is up to them to decide."

In Paris, a high-ranking government official involved in drafting a final recommendation said the Olivetti proposals involved financial considerations — including the purchase of the shares and the building of the new plant — that he described as "very, very complex." But he strongly hinted that an agreement could be completed by the end of this month. A senior CIT-Alcatel executive said that, during their negotiations, the two companies had hit upon other possible projects for future cooperation in development of information technology, including telecommunications.

Olivetti's moves on both sides of the Atlantic reflect a broad strategy by Mr. de Benedetti to strengthen the company's position in Western Europe and to meet the growing, intense competition from International Business Machines of the United States, West Germany's Nixdorf, Philips of the Netherlands, Sweden's Ericsson and the large Japanese companies that are rapidly expanding in the field. The work of the

Japanese companies, including Hitachi, is being coordinated by the Ministry of International Trade and Industry.

By 1990, the value of the office-automation market in industrialized countries is expected to more than double, to about \$100 billion, according to the European Community Commission. This would make it the largest single market for information technology in the West — three times larger than the market for automation of plants and manufacturing processes.

"This is not simply mechanizing white-collar jobs, like typing, but far-reaching automation of major sectors of the Western economies, such as banking and all the services that go with it," an EC official in Brussels said. He added that community planners were impressed that Olivetti, unlike some of its European competitors, generated about a third of its sales outside Europe, notably in North and Latin America.

"In office automation, we already are No. 1 in Europe — and profitable — but our goal is to become a global competitor in this business," said Mr. de Benedetti, who, after the French, is the largest single shareholder in Olivetti, with a 17-percent interest that he acquired when he joined the company in 1978.

Observers generally agree that, since taking over, Mr. de Benedetti has organized one of the most impressive turnarounds in recent European business history: Consolidated sales roughly doubled in the past five years, reaching a record 3.3 billion (\$2.2 billion) last year, and with 25 percent fewer workers than there were five years ago. Mostly, the volume came from selling machinery and equipment for data-processing, office-automation and other office products, such as manual portable typewriters, furniture and copiers.

Although the company had heavy losses in Mexico last year, net consolidated income rose slightly to 102.8 billion lire, representing about 3 percent of sales. Mr. de Benedetti says he intends to boost that proportion to 5 percent of sales by the end of next year, while continuing to spend heavily on research and development of new products and processes, including those that will be compatible with the new fifth-generation computers that are expected to be on the market in the late 1980s. "De Benedetti has done a spectacular job since taking over, and clearly Olivetti is perceived over here as a major power in its field in Europe," said a senior New York-based executive of Lehman Brothers Kuhn Loeb. He quickly added, however, echoing the views of others in the U.S. investment community, "He may have done well in Europe, but it is not exactly the same as doing well here, although he has certainly gotten off to an impressive start."

Mr. de Benedetti has never hidden his fascination with and deep affection for the United States, which he visits frequently, sometimes accompanied by his wife (who lives in Switzerland as protection against the threat of a European solution without an American link is no solution," he said, "but for this to succeed, you need to be strong in Europe first."

His forging of that link began about two years ago, when Olivetti started buying substantial interests in 21 U.S. high-technology companies, mostly in data processing. The investments were increased by \$14.5 million last year and now total about \$120 million. "We needed a window in the U.S. which would not prove too expensive, while also giving us access to marketing experience and research and development in fields that interested us — we are not in Silicon Valley here," said Mr. Pini, the

(Continued on Page 17, Col. 5)

Chrysler Considers Making Small Car With VW in U.S.

The Associated Press

DETROIT — Chrysler Corp.'s chairman, Lee A. Iacocca, said that talks between his company and West German automaker Volkswagenwerk may result in joint production of a small car in the United States.

Mr. Iacocca said that he had met two or three times with the VW chairman, Carl Hahn, recently for preliminary discussions on how to work together in the U.S. small-car market.

Chrysler is planning to replace its Dodge Omni and Plymouth Horizon with a vehicle it calls the P-car by 1986, while VW plans to introduce a redesigned Rabbit in the 1985 model year.

Mr. Iacocca also said he wants to "explore every possibility" with VW, perhaps using VW's plant in Westmoreland, Pennsylvania, for some type of small-car venture.

"That might be something we would explore," Mr. Iacocca told the Detroit Free Press, according to an article in Friday's edition. Mr. Iacocca's comments were made in a Washington interview Wednesday.

VW has been "a good partner in the past," Mr. Iacocca said, adding that he would like to see ties strengthened between the companies. VW supplied engines for the Omni and Horizon when they were



Lee A. Iacocca

first introduced in 1977 and through the 1983 model year.

■ Mitsubishi Undecided

Mitsubishi Motors said Saturday it has yet to decide whether to produce cars in the United States in cooperation with Chrysler, which has a 15 percent interest in Mitsubishi. Reuters reported from Tokyo.

It denied a report in the economic daily Nihon Keizai Shimbun that it had agreed in principle on joint production and said it is still studying ways for cooperation.

OPEC Expected to Freeze Output and Price at Meeting

Compiled by Our Staff From Dispatches

HELSINKI — OPEC ministers

are likely to freeze prices and output at their present levels. Oil Minister Dr. Subroto of Indonesia said Sunday. Ministers of the Organization of Petroleum Exporting Countries are holding their regular semi-annual meeting here this week, starting Monday.

Asked whether he anticipated any change in the OPEC accord that the 13 member states reached in March, Dr. Subroto said: "The feeling is no — we keep prices and production where they are." The March accord set an OPEC benchmark price of \$29 a barrel.

Meanwhile, Petroleum Intelligence Weekly reported in its Monday issue that OPEC nations have increased oil production almost to the cartel's 17.5-million-barrel-a-day limit.

The oil industry newsletter said that OPEC crude-oil production has been well above 17 million barrels a day so far in July.

The production ceiling was instituted last March to stabilize prices, with Saudi Arabia agreeing to serve as the "swing" producer, raising or lowering output to keep the market stable.

Many OPEC members are now nearing their allotted production ceilings, the newsletter said, and

Saudi Arabia has begun to turn away some buyers.

OPEC's output rose 1.6 million barrels a day in May to an average 16.8 million for the month, and was about 17 million barrels a day in June, the weekly estimated.

Despite the general air of optimism among delegates at Helsinki, Dr. Subroto acknowledged that two issues could cause problems at the two-day ministerial session — the question of Nigerian overproduction and the choice of a new secretary-general for the organization.

In recent months Nigeria's output has outstripped the 1.35 million barrels a day assigned to it under the London accord, raising the prospect that other members could press for a Nigerian price rise to dampen demand for its high-quality crude.

The Indonesian minister told reporters the choice of a new secretary-general to take over from Marc Ngema of Gabon could also cause problems.

Iran has nominated the head of its national oil company, Mohammad Hassan Kheradmand, to take over the post under a rotation system. But Iraq, at war with Iran for almost three years, has put forward rival candidate Ramzi Salman.

Credit Markets Respond Well to Rise in U.S. Money Supply

By Robert A. Bennett

New York Times Service

NEW YORK — U.S. credit markets have responded well to the most recent indication of a rapidly rising money supply.

M-1, the narrowest measure of the money supply, rose \$5.8 billion in the week ended July 6, according

to the Federal Reserve Board. The increase was at the high end of the range expected by the financial markets.

The Fed also reported Friday that two broader measures of the money supply rose only moderately during June.

Despite confirmation that the Fed had tightened monetary policy, a notch in May and then again in June, the credit markets responded well to Friday's reports. The stock market, however, fell in anticipation of the Fed report. The Dow Jones industrial average slid 12.02 points as investors appeared concerned that interest rates would rise.

In the credit markets, prices of Treasury notes and bonds ended by recouping most of the steep losses set earlier in the day. The 10% percent bonds due in 2012, which had fallen 1/4 point to an offered price of 90 1/2 early in the afternoon, began rising before the Fed's announcement, and quickly rose another 1/4 point in late trading. By the close, the bellwether Treasury bond was offered at 91 1/4, down only 1/4 point on the day, to yield 11.41 percent.

Among short-term securities, interest rates were little changed after the money supply announcement.

Six-month Treasury bills, for example, were bid at 9 3/4 percent late in the day, unchanged from early afternoon levels.

Traders said that the rebound in bond prices was largely technical, and caused by the buying of speculators who recently were heavy sellers.

Prices rose after the Fed announcement despite a growing sense that the Fed may continue to tighten monetary policy in small steps and drive up interest rates, analysts said.

Charles Lieberman, a senior economist at Morgan Stanley, said there was evidence in the markets Friday that the Fed had already tightened a bit further. He said the

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U.S. Consumer Rates

For Week Ended July 15

Postoffice Savings	5.50 %
6-Month Savings Certificate	9.51 %
Tax Exempt Bonds	9.54 %
Bank Money Market Accounts	8.04 %
Bank Rate Monitor Index	8.40 %
Home Mortgages	13.01 %
FHLB average	13.01 %

rate on federal funds — overnight money that banks buy and sell among themselves — rose slightly, to a range of 9 1/4 percent to 9 1/2 percent, from an average of about 9 1/4 percent last week. Actions taken by the central bank usually are first reflected in the federal funds rate.

There also seemed to be a growing sense in the markets that the Federal Reserve had got a handle on the growth of M-1, the basic money supply, despite its \$5.8-billion rise to \$112 billion. The increase was due largely to early payment of Social Security checks that were on deposit over the long July 4 weekend. M-1 consists of funds that are readily available for spending — currency in circulation and check-like deposits in banks and savings institutions.

"M-1 growth has stabilized," Cengiz Israli, vice president of Morgan Guaranty Trust, said. But because of rapid growth earlier in the year, M-1 remained about \$16.6 billion above the top of the targeted growth range of 4-6 percent.

Mr. Israli said that M-1's four-week average growth rate had been 31.2 percent on June 1, but that it had dropped to 7.7 percent by the June 29 week, and to only 2.5 percent in the July 6 week. "I expect it to stay below 3 percent," he said.

A broader measure of the money supply, M-2, rose by \$18.1 billion during June, to \$211.52 billion. M-2 includes savings-account balances in banks and savings institutions, balances held by individuals in money-market mutual funds and overnight borrowings by banks from corporations and from banks overseas.

The Fed's range for annual growth in M-2 is 7-10 percent. The June figure was \$3.3 billion below the upper limit, although its annual rate of growth during the month was 13.4 percent, higher than the annual target.

M-3, a still broader measure of the money supply, rose \$21.4 billion, to \$249.65 billion. It consists of M-2 plus large time deposits, longer-term borrowings from corporations and corporate balances in money-market mutual funds.

The annual growth rate for M-3 is 6 1/2 percent to 9 1/2 percent. During June, it grew at an annual rate of 9.8 percent and ended the month \$1.2 billion above the top of the target, considered an insignificant deviation.

The Federal Open Market Committee, the monetary policy-making arm of the Federal Reserve, decided by a narrow margin at its meeting of late May and again in a special telephone conference in June to tighten monetary policy slightly, the Fed said Friday. The slight tightening moves have resulted in higher interest rates since May, a trend that many analysts expect to continue.

Because conditions in the economy and the pattern of money-supply growth have not changed much since late May, many analysts have concluded that the committee probably decided to tighten monetary policy slightly by another notch at its meeting of July 12 and 13.

Notice

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(Forretningsbankenes Finansierings- og Eksportkreditinstitutt)

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1. The payment of said final installment is due and payable not later than August 1, 1983 in U.S. dollars in same day funds;

2. The Borrower reserves the right to accept payment of the said final installment in respect of any Bond at any time after August 1, 1983, subject to payment of interest on such final installment at the rate of 12% per annum, calculated from (and including) August 1, 1983 to (but excluding) the date of payment thereof, on the basis of the actual number of days elapsed divided by 360. Any payment of the said final installment accepted after the due date shall be treated as having been made on the due date.

3. The Borrower may at any time after August 15, 1983 elect (without giving published notice) to forfeit all or any of the partly paid Bonds and all rights arising therefrom, to the extent that the said final installment in respect of such Bonds together with interest as aforesaid has not been duly paid, whereupon the Borrower shall be entitled to retain the said Bonds and shall be discharged from any obligation to repay such Bonds, or to pay interest thereon for any period.

Arrangements should be made, through depository banks, if necessary, with the European Operations Centre, 35, Avenue des Arts, Brussels, or CEDIS, S.A., 81, bd Grande-Duchesse Charlotte, Luxembourg, in order to assure prompt payment of the said final installment to the Borrower.

By: A/S Eksportfinans

(Forretningsbankenes Finansierings- og Eksportkreditinstitutt)

Dated: July 18, 1983

THE FRONT PAGE

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1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

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BUSINESS BRIEFS

Saudi Companies Reportedly Need Loans for \$2 Billion in Next 2 Years

LONDON (UPI) — Heavy industries and refining companies in Saudi Arabia will seek at least \$2 billion in long-term loans from Arab financial sources during the next two years because of shrinking oil revenues, according to the London-based magazine Arab Banking and Finance.

"There are now signs that government support is no longer available and the capital markets will have to play a role in all aspects of future development," the magazine reported Friday in its July issue.

It said that, while there was no evidence that "the slump in Saudi oil revenues in the first half of 1983 has significantly affected banks' assessment of the projects' creditworthiness," Saudi institutions were trying to raise most of the funds in the Arab, preferably Saudi, financial markets instead of going abroad.

TWA Reports \$16.2-Million Deficit

NEW YORK (NYT) — Trans World Airlines has reported a loss of \$16.2 million for the second quarter, after making a profit of \$25.6 million in the 1982 second quarter.

The decline was much smaller than TWA's \$92.7-million loss for the first quarter this year. The airline's business is highly seasonal, and TWA usually has better results in the second and third quarters, when its international divisions carry large loads of overseas vacationers.

Revenues fell to \$869.1 million from \$878.2 million a year earlier, the company said Friday. Earlier last week, Eastern Airlines reported a loss of \$33.7 million for the quarter, about half the size of its first-quarter loss. TWA's parent company, Trans World Corp., which has traded separately on the New York Stock Exchange since the first quarter, is expected to report its second-quarter results this week.

Stock Sale Increases Comsat Profits

WASHINGTON (Combined Dispatches) — Communications Satellite Corp. has reported that its profit for the second quarter climbed 49 percent on a 10-percent increase in revenues from last year, largely because of the sale of stock that it had held as an investment.

Comsat said Friday that its earnings rose to \$16.1 million for the quarter that ended June 30, from \$10.8 million in the 1982 quarter.

Revenues climbed from \$99.9 million to \$109.9 million. Per-share earnings rose to 89 cents on about 18 million shares from 67 cents on 16 million.

The company sold stock that it had held in Ungermann-Bass Inc., for after-tax income of about \$4.8 million. Comsat said. Otherwise the profit increase would have been 4.6 percent. Comsat reported continuing losses from Satellite Business Systems, its venture with Aetna Life and Casualty Co. and International Business Machines Corp., which have amended their partnership agreement to increase financing of SBS to \$771 million from \$591 million.

Teamsters Discuss New Concessions

WASHINGTON (UPI) — The Teamsters union has acknowledged that it is considering new concessions with the U.S. trucking industry to help with job loss for unemployed truckers. The move came under immediate attack from a dissident union group.

A Teamsters spokesman said Friday that no concrete proposal had been developed. He was responding to reports that the union and industry were about to reach an agreement that would amend a contract signed in March 1982.

New concessions would be the second set in two years for the Teamsters, the largest U.S. union. Ken Paff, organizer for the dissident Teamsters for a Democratic Union, charged that the talks meant "a field day for the employers to manipulate the contract."

Reynolds Metal Has \$69-Million Loss

RICHMOND, Virginia (Reuters) — Reynolds Metals Co. has reported a \$69.1-million loss in the second quarter after profits of \$25.5 million in the 1982 quarter.

The company said Friday that it had charged \$52.7 million to its second quarter to cover the cost of closing loss-making plants. Without the charge, the second-quarter loss was significantly less than the decline of \$52.4 million that Reynolds had reported for the first quarter.

Electricity Rise Worries Grumman

NEW YORK (NYT) — Grumman Corp., the largest employer on Long Island, has postponed some expansion plans because of its concern about the effect of Long Island Lighting Co.'s proposed electric-rate increases of 50 percent.

Grumman has said it might transfer some employees to other plants if the state approved a substantial portion of the utility's request, which would pay for an almost-completed nuclear-power plant.

Rescheduling Work Curbs Market

By Carl Gewirtz

International Herald Tribune

PARIS — With bankers trying desperately to complete the rescheduling of 1982-83 debt arrangements before work begins later this year on renegotiating the debt due in 1984, there is little in the way of new business coming to the syndicated-loan market.

Greece completed the first leg of the \$200-million loan for OTE, the state telecommunications agency, by borrowing 10 billion yen (\$62.5 million) from a syndicate of 15 Japanese banks and insurance companies. The eight-year loan carries a floating rate of interest set at 0.1

percentage point above the prime lending rate of Japanese banks, currently 8.4 percent.

Terms on the companion \$160-million financing, expected to be a

SYNDICATED LOANS

split ½-½ point over Libor, or ½

point over the prime rate, will be announced Monday.

Irish Telecommunications, also state-owned, is in the market for \$75 million to finance a new telephone network. It is paying an evenly split ½-½ point over the London interbank offered rate for its eight-year loan, plus a commitment fee of ½ percent.

EDP, Portugal's electricity agency, is raising \$50 million for seven years. Interest will be set at one point over Libor. Front-end fees total ¼ percent.

In Eastern Europe, Hungary has mandated Arab Banking Corp. to put together a \$200-million, eight-year loan.

Elsewhere, the Australian Wheat Board is raising the equivalent of \$100 million. Half of this is in the form of a sterling acceptance, running for a minimum of two years, with lenders paid an annual ¼ percent acceptance commission. The remaining \$50 million will be in the form of two-year Euronotes rolled over every three months.

What follows is a discussion of existing restrictions and of whether they can safely be modified.

Q. What are the main issues before Congress?

A. The basic issue is how fast change should be allowed to take place, and in what form. Should there be a complete moratorium? Should unregulated change be allowed to continue unfettered? Or should change be pushed even faster, as the administration is seeking.

Q. Why have the barriers started to crumble?

A. The changes in the financial system have been brewing for more than 20 years. They have accelerated of late because of the broader trend toward business deregulation that began in Washington in the 1970s. Although much of that deregulation has been in other areas, some has also occurred in the financial sector, notably in the gradual removal of all interest-rate ceilings, authorized by Congress in 1980.

Equally important, nonbank financial institutions like Shearson-American Express, Prudential-Bache and Sears, Roebuck, that are not subject to the same federal regulation as banks have made successful forays into new financial businesses. All of them, for example, offer their customers financial management accounts, which combine banking and brokerage services.

Q. What prevents banks from also branching into new areas?

A. Basically two laws. The Glass-

Steagall Act of 1933, which bars banks from underwriting corporate securities, and the Bank Holding Company Act of 1956, which limits companies that own banks to activities judged by the Federal Reserve to be "closely related to banking."

Q. Why did Congress impose these restrictions?

A. The prohibitions grew out of concerns that the speculative excesses of the largest banking houses may have set the stage for the 1929 stock-market crash and the ensuing failures of hundreds of banks. Some banks, in an effort to bail out ailing borrowers, became underwriters of corporate stock of dubious value, thereby shifting the risk to their stockholders and depositors.

Q. What is the moratorium that is being considered?

A. Mr. Volcker has asked Congress to enact legislation temporarily halting all acquisitions of banks and thrift institutions by nonbank companies. The proposal, however, has created considerable apprehension on Wall Street and sharp policy divisions among government regulatory agencies.

The Office of the Comptroller of the Currency, which regulates federally chartered, or national, banks, has already, by administrative fiat, frozen action on new applications by nonbanks to create new national banks. But the Federal Home Loan Bank Board, which supervises savings associations, and the Federal Deposit Insurance Corp. have argued against a congressional moratorium.

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A. The Fed has tended to take a more conservative approach to letting banks diversify. It contends that banks are "special" — that bankers work with other people's money, so that they must be more heavily regulated to insure the prudent use of depositors' funds.

Mr. Regan, on the other hand, contends that a moratorium would only postpone the inevitable dismantling of the remaining statutory and regulatory restraints, and he welcomes a faster pace of deregulation. He has noted that many states, unhappy with the slow pace

of deregulation by Congress, are taking their own initiatives. South Dakota, for example, recently authorized banks chartered under its laws to engage in the insurance business.

Q. What is the administration proposal?

A. The administration's bill would free banks to offer a full array of financial services. It is asking Congress to let all banks underwrite municipal revenue bonds, and engage in real estate and insurance brokerage. However, the banks would have to create separate subsidiary corporations to engage in these lines of business. The bill would still prohibit banks from underwriting corporate securities.

Q. Why isn't the administration proposing that banks be allowed to underwrite corporate securities?

A. Mr. Regan has indicated that, in principle, he supports letting banks move into this area. But at this point, he says, it is not politically practical. For one thing, there is strong opposition from underwriters who fear additional competition.

Q. Aren't some bankers already selling securities as discount brokers?

A. Yes. The Fed has approved banks buying discount brokers on the ground that they are not full service brokers; they buy and sell stocks at discount, but give no ad-

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A. Some analysts argue that banks are not suitable as corporate underwriters because their main experience is in judging the creditworthiness of borrowers. They are not knowledgeable, critics say, in the intricate business of timing and pricing deals, which securities firms and investment houses routinely do for their corporate clients.

Q. What is the mission of Mr. Bush's task force?

A. Many analysts doubt that the existing patchwork of seven different federal financial regulatory agencies can adequately monitor the evolving banking system. The task force is examining ways to eliminate the frequent jurisdictional disputes, and is expected to issue its report in early fall.

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	Net	Low Last Crge
776	274-1's	
777	272	
778	26 + 26	
779	260	
780	27	
781	27	
782	124 +	
783	270	
784	6	
785	270	
786	270	
787	270	

Sales in 1990-1991	Net Change	Sales in 1990-1991
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[illegible]

**In Proceedings for a Reorganization Under Chapter 11.
Case Nos. 81 B 11554
Through 81 B 11581 Inclusive**

NOTICE IS HEREBY GIVEN that on the 25th day of July, 1983 in Room 234 of the United States Courthouse, Foley Building, New York 10007 at 10:00 o'clock of the day of the month of July, 1983, the following agreement was made:

NOTICE IS FURTHER GIVEN that the hearing to consider the offers may be adjourned from time to time without notice to creditors or other parties in interest other than by announcement of such adjournment on the date scheduled for filing.

At New York, New York
July 8, 1983

BY ORDER OF THE COURT

JOHN J. GALGAY
Bankruptcy Judge
United States Courthouse
Foley Square
New York, New York 10007

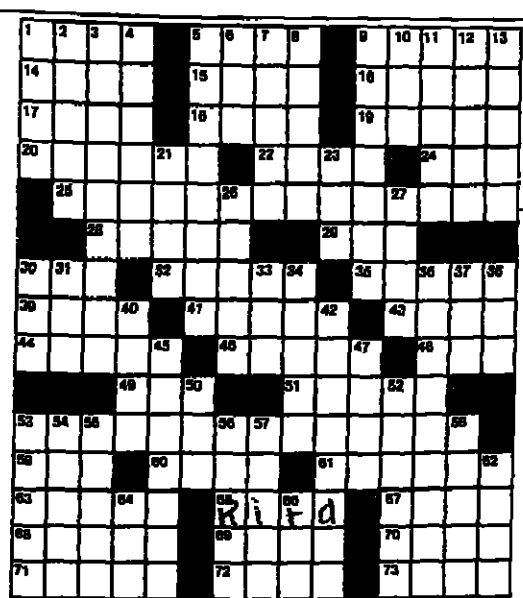
For the Week Ending July 15, 1983

Option & price		Calls		Puts		Option & price		Calls		Puts		Option & price		Calls		Puts	
10	45	54	52	r	72	1155	15	93	82	r	r	1000	18	14	2	1	

1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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[illegible]

CROSSWORD



- ACROSS**
- 1 Towel word
 - 2 Pace
 - 3 Pie-in-the-face, comic sales
 - 4 Help a felon
 - 5 Without, in Berlin
 - 6 Black tea
 - 7 Drink to excess
 - 8 Without a chaser
 - 9 Sec. of the Interior: 1961-
 - 10 Eponymous ancestor of the Greeks
 - 11 Stick-of-gum cuts, once
 - 12 Mine or Magie
 - 13 She plays Gloria on TV
 - 14 Brazilian dance
 - 15 Golf-ball holder, e.g.
 - 16 What "Mac" means
 - 17 Word after X
 - 18 Sense
 - 19 Affirmative
 - 20 Theater seat
 - 21 Suitable for singing
 - 22 Rent apiece
 - 23 Sound heard from the herd
 - 24 West or Murray
 - 25 Summa cum
 - 26 She made her film debut in "Picnic": 1955
 - 27 I eat what
 - 28 "I": Carroll
 - 29 Saut Ste. Marie
 - 30 Simple or simple
 - 31 Sassy lass
 - 32 Actress Hayworth
 - 33 Clinch
 - 34 Reserve
 - 35 Sassy lass
 - 36 Neutral color
 - 37 Moore's "What Are..."
 - 38 Famed Italian patron of the arts
 - 39 Clarinet, e.g.
 - 40 DOWN
 - 41 "For unto everyone that"
 - 42 Matt. 25:28
 - 43 C.A. trees
 - 44 Fix up old walls
 - 45 Actress Stevens
 - 46 Jolson sang this song
 - 47 Article
 - 48 Pass a law
 - 49 Nero or Marshall
 - 50 Speak hastily
 - 51 Brit. lexicon
 - 52 Decree
 - 53 Kind of route for jets
 - 54 Screams
 - 55 Shade trees
 - 56 Almond or cashew
 - 57 More logical
 - 58 Get better
 - 59 Labor org.
 - 60 French marshal
 - 61 Suffix with malt
 - 62 Berlin's "A Umbrella"
 - 63 Freedom from bigotry
 - 64 Personality
 - 65 Morning measure
 - 66 Capital of Peru
 - 67 Typical Marin painting
 - 68 Jackals, e.g.
 - 69 Big bear
 - 70 Curved letter
 - 71 Not so sparse
 - 72 Access Speak
 - 73 Wild
 - 74 Navigators' islands, today
 - 75 Cryptic
 - 76 Checks
 - 77 Angry look
 - 78 Garden tool
 - 79 Hockey great
 - 80 "for lat"

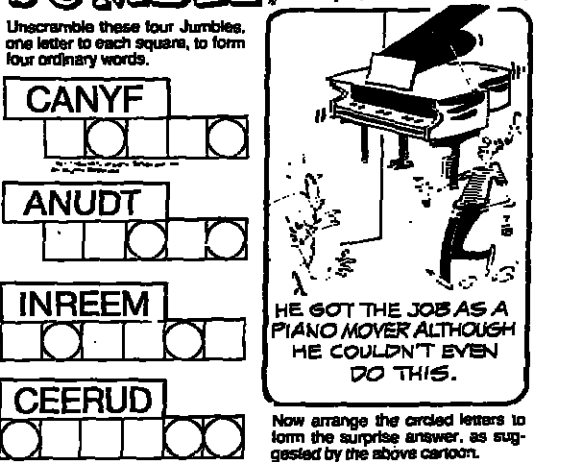
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DENNIS THE MENACE



"DON'T BLAME ME IF THE WATER BILL IS HIGH. I ONLY ASK FOR ONE LOUSY LITTLE GLASS AT NIGHT!"

JUMBLE



Unscramble these four Jumbles. One letter to each square, to form four ordinary words.

Answer here: _____

Friday's Jumble: LEAVE PRIOR SPONGE POORLY

Answer: If you think golf is only a rich man's game, look at these—ALL THE POOR PLAYERS

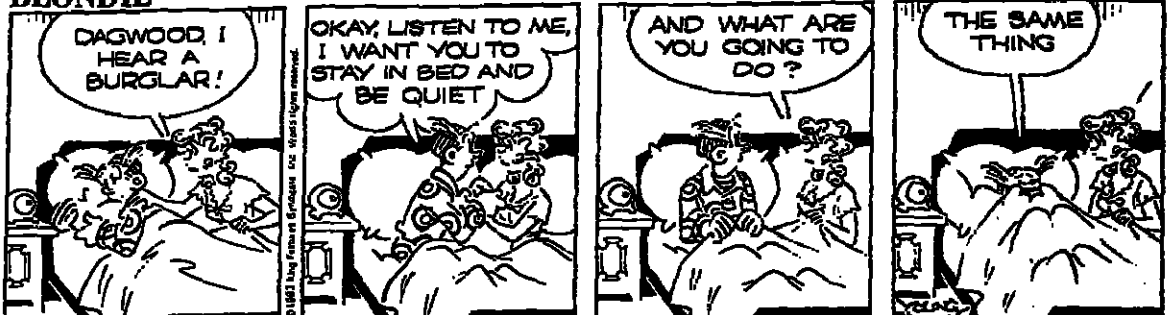
WEATHER

EUROPE	HIGH	LOW	WIND	PRECIP.	ASIA	HIGH	LOW	WIND	PRECIP.
Albania	22	12	W 10	0	Bangkok	30	20	W 10	0
Austria	22	12	W 10	0	Beijing	30	20	W 10	0
Belgium	22	12	W 10	0	Bombay	30	20	W 10	0
Denmark	22	12	W 10	0	Calcutta	30	20	W 10	0
France	22	12	W 10	0	Colombo	30	20	W 10	0
Germany	22	12	W 10	0	Dacca	30	20	W 10	0
Greece	22	12	W 10	0	Delhi	30	20	W 10	0
Italy	22	12	W 10	0	Dhaka	30	20	W 10	0
Japan	22	12	W 10	0	Dibrugarh	30	20	W 10	0
Poland	22	12	W 10	0	Durgam	30	20	W 10	0
Portugal	22	12	W 10	0	Faridkot	30	20	W 10	0
Romania	22	12	W 10	0	Ferozepur	30	20	W 10	0
Soviet Union	22	12	W 10	0	Gurgaon	30	20	W 10	0
Spain	22	12	W 10	0	Haldwari	30	20	W 10	0
Sweden	22	12	W 10	0	Haridwar	30	20	W 10	0
Switzerland	22	12	W 10	0	Imphal	30	20	W 10	0
Turkey	22	12	W 10	0	Jalandhar	30	20	W 10	0
U.S.S.R.	22	12	W 10	0	Jammu	30	20	W 10	0
Yugoslavia	22	12	W 10	0	Jhansi	30	20	W 10	0
					Kanpur	30	20	W 10	0
					Katihar	30	20	W 10	0
					Kavaratti	30	20	W 10	0
					Kolkata	30	20	W 10	0
					Kozhikode	30	20	W 10	0
					Lahore	30	20	W 10	0
					Lanka	30	20	W 10	0
					Lima	30	20	W 10	0
					Lisbon	30	20	W 10	0
					London	30	20	W 10	0
					Los Angeles	30	20	W 10	0
					Madras	30	20	W 10	0
					Mumbai	30	20	W 10	0
					Nagpur	30	20	W 10	0
					New Delhi	30	20	W 10	0
					New York	30	20	W 10	0
					Osaka	30	20	W 10	0
					Paris	30	20	W 10	0
					Rangoon	30	20	W 10	0
					Reykjavik	30	20	W 10	0
					Rome	30	20	W 10	0
					Saint Petersburg	30	20	W 10	0
					Seoul	30	20	W 10	0
					Shanghai	30	20	W 10	0
					Singapore	30	20	W 10	0
					Sofia	30	20	W 10	0
					Taipei	30	20	W 10	0
					Tbilisi	30	20	W 10	0
					Tokyo	30	20	W 10	0
					Urumqi	30	20	W 10	0
					Yokohama	30	20	W 10	0

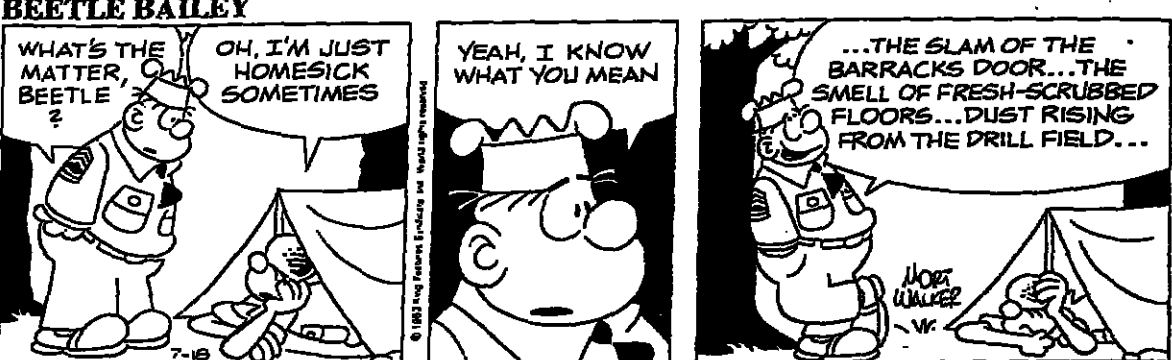
PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



SPORTS BRIEFS

All Blacks Complete Sweep of Lions

UCKLAND, New Zealand (Combined Dispatches) — New Zealand routed the touring British Lions Saturday, 38-6, scoring six tries to none in the fourth test match. The All Blacks swept the series, having won the previous tests 16-12 in Christchurch, 9-0 in Wellington and 15-8 in Dunedin.

Right wing Sir Wilson bettered the All Black career record for tries in international matches with the first of his three tries Saturday, ending with a career total of 19. Flanker Jack Hobbs, fullback Allan Hewson and lock Andy Haden were the other try-scorers, and Hewson kicked four conversions and two penalty goals. For the Lions, Irish flyhalf Ollie Campbell and Welsh fullback Gwyn Evans kicked penalty goals.

It was the worst test defeat in 73 years of official rugby tours in the Southern Hemisphere by British Isles squads representing England, Scotland, Ireland and Wales. The seventh Lions in New Zealand — captained by Ian Fingard of Ireland, managed by Willie John McBride of Ireland and coached by Jim Telfer of Scotland — ended with 12 victories and six defeats.

Laurent Wins Tour Leg After Inquiry

SAINT-ETIENNE, France (UPI) — Frenchman Michel Laurent won Sunday's 16th stage of the Tour de France bicycle race, a run of 144.5 kilometers (89.75 miles) from Issire, on a post-race decision by the officials. Stewards downgraded Henk Lubberding of the Netherlands to second place for causing Laurent to fall just before the finish.

Frenchman Pascal Simon retained the overall lead.

Lubberding and Laurent were neck-and-neck before the Dutchman veered across Laurent's path, causing him to crash into the barriers. Following an inquiry, Laurent was awarded the stage even though Lubberding crossed the finish line first, followed by Jean-Luc Vandembroucke of Belgium.

Spaniard Angel Arroyo took Saturday's 15th stage, a 156-kilometer individual time trial from Clermont-Ferrand to Le Puy-de-Dôme.

The winner clocked 40 minutes 43 seconds, finishing 52 seconds clear of compatriot Pedro Delgado.

Dodgers Suspend Relief Pitcher Howe

LOS ANGELES (UPI) — Los Angeles Dodgers relief ace Steve Howe, fined a record \$54,000 earlier this month for drug problems and who reported late for a game Friday, was suspended by the team for an unspecified period Saturday night.

In a statement, the team said Howe arrived at Dodger Stadium three hours late for Friday's game against Chicago and then met with team executives Fred Claire and Al Campanis.

At that time, he refused to undergo a test to determine his condition to play, the Dodgers said.

Saturday morning, Howe underwent a physical test at regional drug rehabilitation center, but he and his representative declined to authorize the release of the results of the test to the Dodgers management, the team said. In a meeting before Saturday night's game against the Cubs, Howe again refused to take a test under team supervision and was suspended.

Howe was recently fined \$54,000 for his second bout with cocaine. The fine amounted to Howe's pay for the 30 days he missed this season when he was a patient at a rehabilitation center. The Major-League Players Association is appealing the fine.

Brett, McRae Lead Royals to 10-0 Rout of Indians

CLEVELAND — George Brett drove in four runs with a three-run home run and a fielder's choice Friday night and Hal McRae fit added a homer to power the Kansas City Royals to a 10-0 pasting of the Cleveland Indians.

Paul Spittler (7-3) allowed one hit over the first seven innings.

FRIDAY BASEBALL

Juan Eichelberger (3-9) suffered his sixth straight loss.

Willie Wilson opened the first inning with a walk and took second on John Wathan's infield hit. Brett then hit an 0-1 pitch over the fence in right-center for his 16th home run of the season and McRae followed with a shot over the left-field wall.

In the second, Pat Sheridan singled, took third on Onix Concepcion's single and scored on Wilson's infield out to chase Eichelberger.

A run-scoring double by Concepcion, an RBI single by Wathan and Brett's grounder gave the Royals three runs in the fifth against reliever Jerry Reed. Sheridan singled home Amos Otis with another Kansas City run in the fifth.

Greg Pryor's RBI single to right gave the Royals their 10th run, in the ninth.

Red Sox 10, A's 7

In Boston, Glenn Hoffman's bases-loaded single triggered a five-run sixth and Wade Boggs went 3-for-5 with two RBIs to lead the Red Sox over Oakland, 10-7. Mark Clear (3-2) pitched the final 3 1/2 innings for the victory.

Oakland 10, Angels 4

In Baltimore, Eddie Murray went 4-for-4 and drove in four runs with his 16th homer and a two-run double to lead the Orioles to a 10-4 triumph over California. Mike Boddicker (6-4) allowed four runs in the first three innings, but held the Angels to two hits over the last six innings and retired 15 straight batters before Daryl Scott's single in the ninth. Tommy John (7-6) took the loss.

Brewers 6, Twins 3

In Milwaukee, Cecil Cooper drove in four runs with a single, a triple and a home run and Mike Caldwell (7-7) pitched a six-inning, complete game, leading the Brewers to a 6-3 victory over the Twins. Despite taking the loss, Minnesota starter Bobby Castillo (5-7) allowed only six hits in 7 1/2 innings and struck out eight.

Yankees 7, Rangers 5

In New York, Dave Winfield and Don Baylor each hit three-run homers to power the Yankees past Texas, 7-5. Rick Honeycutt (11-6) lasted three innings for the Rangers, giving up nine hits and six runs. Dave Righetti went six innings for his 11th victory against three losses, but was relieved by George Frazier in the seventh. Frazier then got in a jam in the eighth with two on and one out.

Blue Jays 3, White Sox 2

In Chicago, Dave Collins singled in two runs with the bases loaded and one out in the ninth to give Toronto a 3-2 victory over the White Sox. Winner Joey McLaughlin evened his record at 2-2. Rick and Dotson (8-6) was the loser.

Mariners 7, Tigers 2

In Seattle, Ricky Nelson's triple keyed a six-run sixth and left-hander Matt Young pitched an eight-inning game to help the Mariners to a 7-2 victory, snapping Detroit's five-game winning streak.

Reds 3, Pirates 2

In the National League, in Philadelphia, Nick Esasky doubled in two runs in the sixth and Mazo Soto pitched a four-hitter to lead Cincinnati past the Phillies, 3-2. Soto (10-8) struck out eight. Philadelphia rookie Charlie Hudson fell to 2-3. Joe Lefebvre homered for the Phillies.

Astros 6, Mets 0

In Houston, Bob Knepper pitched his third shutout of the year and singled home the game-winning run in the second inning, leading the Astros to a 6-0 triumph over New York. Knepper (3-9) scattered five hits, struck out eight and walked one. Houston's Omar Moreno hit two triples to increase his league-leading total to 11. Ed Lynch (6-4) started and took the loss.

Pirates 4, Padres 2

In San Diego, Jim Morrison and Tony Pena hit ninth-inning home runs that lifted surging Pittsburgh to a 4-2 triumph over the Padres. Kent Tekulve, who entered in the eighth to choke off a Padre threat, received credit for his fourth victory in six decisions. Rookie Mark Thurmond (2-1) was the loser.

Cubs 8, Dodgers 4

In Los Angeles, Keith Moreland, Jody Davis and Ron Cey drove in two runs each to help Chicago break a six-game losing streak with an 8-4 victory over the Dodgers. Burt Hooton (8-3) had his seven-game winning streak broken as he allowed eight hits and five runs. Chicago starter Dick Ruthven (6-7) departed in the sixth after yielding eight hits and four runs.

Giants 5, Cardinals 4

In San Francisco, Chili Davis capped a three-run eighth with a two-run homer that rallied San Francisco past St. Louis, 5-4.

Braves 9, Expos 3

In Atlanta, Chris Chambliss's two-run single highlighted a six-run rally in the sixth that carried the Braves to a 9-3 decision over Montreal. Bill Gullickson (7-10) had allowed only a fourth-inning single to Claudi Washington before Atlanta knocked him out in the sixth. Winner Phil Niekro (5-6) allowed six hits, walked two and struck out two before being lifted for Terry Harper, a pinch-hitter, in the sixth.

Major League Standings

NATIONAL LEAGUE	W	L	Pct.	GB
Philadelphia	41	37	.526	0
St. Louis	40	38	.513	1
Cincinnati	39	39	.500	2
Montreal	38	40	.486	3
Chicago	37	41	.474	4
New York	36	42	.461	5
Atlanta	35	43	.448	6
Los Angeles	34	44	.435	7
Houston	33	45	.422	8
San Diego	32	46	.409	9
San Francisco	31	47	.396	10
Cleveland	30	48	.383	11

CFL Standings

EASTERN DIVISION						
	W	L	T	PF	P	
	2	0	0	62	4	
	1	1	0	82	5	
	1	1	0	50	4	
	1	1	0	54	4	
WESTERN DIVISION						
	3	7	0	53	5	
	1	1	0	45	4	
ons	1	1	0	40	6	
rob	0	1	0	14	1	
	0	1	0	26	4	
Friday's Result						
at 21, Edmonton 18						
Saturday's Results						
at 24, Ottawa 28						

SPORTS

Watson Wins British Open by 1 Over Irwin, Bean



Tom Watson

Compiled by Our Staff From Dispatches
SOUTHPORT, England — Tom Watson salvaged a 70 on Sunday, turning back a host of challengers and becoming the first American to win the British Open golf championship five times.

Watson, a nonwinner for a year, added the 12th Open title to his previous victories, on Scottish soil, at Carnoustie in 1975, at Turnberry in 1977, at Muirfield in 1980 and last year at Troon.

He won the 1983 tournament by a single shot with a 275 total, nine strokes under par on the sandhills of the Royal Birkdale Golf Club links.

But Watson avoided a playoff only by the margin of a whiffed tap-in putt on the 14th hole of Saturday's third round that, eventually, left Hale Irwin one shot back and tied for second at 276 with Andy Bean.

Irwin and Bean each played the final round in 4-under-par 67. They were among seven men who led or shared the lead at one time or another on a cool, windy Sunday.

Watson, however, pulled ahead with a 12-foot birdie putt on the 16th hole. That put him one in front, and he held on from there.

Graham Marsh, a 39-year-old veteran from Australia, provided the early target with a spectacular, no-bogey, 7-under-par 64 that got him in the clubhouse, about two and a half hours ahead of the other leaders, who finished at 77.

Lee Trevino, who held a 30-foot eagle putt on the 13th and once had a share of the lead, finished poorly over the course

where he won in 1971; he settled for a 70 that put him alone at 278.

Masters champion Seve Ballesteros of Spain and 48-year-old South African Harold Henning, were next at 279. Ballesteros, never really in the title hunt, shot a closing 68. Henning, who once retired from competition for seven years, got to within a stroke of the lead before a bogey on No. 18 killed any hopes he may have had. He finished with a 69.

Bill Rogers (winner of this title in 1981), English club pro Denis Durnan, Christy O'Connor of Ireland and the British standard-bearer, Nick Faldo, were next at 280.

Rogers shot a final-round 69, Durnan a 67 and O'Connor a 68.

Faldo, seeking to become only the second Englishman to win the Open since 1948 (Tony Jacklin won in 1969), brought hope to a huge gallery when he one-putted the first five holes to take a share of the lead.

But the 25-year-old Faldo, three times a British PGA champion, slipped badly over the back nine. He three-putted twice, missed a couple of other short putts and played the incoming side in 40 to finish with a 73.

Ray Floyd, the current PGA champion, had a share of the lead at one point, but also failed to keep it together over the final few holes. He drove out of bounds on the final hole, took a triple bogey seven and finished at 75/288.

Jack Nicklaus, holder of a record 17 major professional championships, was applauded as he approached the 18th green.

But the warm recognition was for performance past; Nicklaus, never in contention, shot a 70 and was 10 strokes back at 285.

Arnold Palmer, who won the first of his two Open titles here in 1961, finished 75/289. U.S. Open champ Larry Nelson shot 72/288.

Watson, who had the U.S. Open title snatched from his grasp at Oakmont, Pennsylvania, a month ago, had not won since taking this title a year ago.

And in winning Sunday, Watson became only the fifth man ever to win the Open five times. Peter Thomson of Australia, who won the first and last of his titles on the same links, was the last. He won three in a row starting in 1954, added another in 1958 and again in 1965.

Britain's great triumvirate — Harry Vardon, J.H. Taylor and James Braid — won the Open a total of 16 times in the years between 1894 and 1914. Vardon took it a record six times, Taylor and Braid five each.

Thomson sent Watson a telegram, reading: "DELIGHTED AND THRILLED TO WELCOME YOU TO THE 5-TIME CLUB."

It did not come easily. Watson started the final round with a one-stroke lead, which disappeared when he three-putted from 70 feet on the fourth hole.

From then on, it was a multiple scramble. At one time, three strokes over 13 players, seven of them leaders from time to time.

First there was Faldo, who got a share of it with three consecutive birdies starting on the third.

Then it was Floyd, who got a share before he made consecutive bogeys on the ninth and 10th.

Then there was Marsh, who came from eight shots back and posted his brilliant effort in the early going.

"The wind was kicking up, about the time Marsh finished," Watson said. "For a while there, it looked like seven-under would win it."

Then Irwin and Bean got into the act — Irwin with a birdie on the 13th, Bean with a birdie on the 14th. Finally, there was Trevino, with a birdie on No. 15.

Faldo, Faldo and Trevino, however, eventually became victims of their own mistakes and drifted back.

But Irwin and Bean, playing in front of Watson, hung in there. Neither was able to make the par-5 15th, but both got to eight under with two-putt birdies on the par-5 17th.

Watson, who had reached the turn two over for the day, got a shot back with a 12-foot birdie putt on the 11th and regained a share of the lead when he played a great bunker shot to within two feet for birdie-4 on the 13th.

At that point, he was tied with Bean and Irwin.

He stayed there with a critical six-foot second putt on the 14th and went ahead with his birdie on the 16th.

The 17th went to a par five. Needing par on the 473-yard final hole, Watson hit a 2-

iron second shot ("the best of my life") 16 feet from the flag and two-putted for his winning par. Looking over the hole, Irwin — the latter doubtless thinking of the whiffed tap-in in Saturday's round.

On Saturday, Watson had capitalized on a final-hole double-bogey by Craig Stadler to take a one-stroke lead after three rounds.

Struggling all day, Watson posted a 1-under-par 70 for a 54-hole total of 8-under-205. Stadler, the second-round leader, drove into the rough on No. 18, blasted out with a pitching wedge and then put his 3-iron into the bunker before taking another two strokes to complete the hole in a double-bogey 6.

Stadler's 72 put him in second at 206, a stroke ahead of Floyd (a third-round 69), Australian David Gray (67) and Faldo (71).

Stadler blew to a final-day 75 for a 281 total, while Gray finished 75/282.

Trevino, who shared second with Watson after the second round, shot a 73 to stand alone at 208 after three rounds. At 209 were Irwin (73), Fuzzy Zoeller (67), Bean (70) and South African Mark McNulty (68).

Watson, who had carded 67 and 68 for his previous two rounds, began Saturday's round with a double-bogey 6 at the first hole when he pulled his driver, the ball landing at the foot of a bush. But he birdied the par-4, 10th and picked up further strokes with birdies at Nos. 15 and 17.

Watson hit the fairway just once in five attempts with his driver.

Braves Hand Expos 6th Defeat in a Row

Compiled by Our Staff From Dispatches
ATLANTA — Finch hitter Jerry Remy hit a two-run double and Bret Butler drove in two runs with a grounder and a home run to pace the Atlanta Braves to a 6-3 victory over the Montreal Expos here Saturday night.

The Expos have lost six in a row, ending the streak, they have fallen to 10th place in the National League's Eastern Division.

With the score tied, 3-3, Atlanta scored three runs in the sixth. Bob Tomlin led off with a walk and Jimmy Chambliss followed with a double that knocked out starter Jody Davis (3-4). Glenn Hubbard followed with a walk off reliever Lynn Smith to lead the bases and Jerry Remy drove in a two-run double to left-center and Butler followed with an RBI grounder.

Atlanta starter Pete Falcone (8-1) pitched a four-inning through six

innings while reliever Steve Bedrosian went the final three to pick up his 14th save.

Burtis chose to work despite the death of his father, Cornelius, earlier Saturday in Tacoma, Washington.

Phillies 9, Reds 3
In Philadelphia, Bob Demery and Pete Rose hit consecutive doubles and Gary Matthews added two singles to highlight a five-run fifth inning as the Phillies went on to a 9-3 victory over Cincinnati. Starter Bruce Berenyi (4-10), and reliever Ted Power were the victims of the outburst, which enabled John Denny (8-5) to coast to his sixth complete game.

Pirates 3, Padres 2
In San Diego, right-hander Don Robinson broke a 2-2 tie with seventh-inning home runs, helping Pittsburgh edge the Padres, 3-2, and extend its winning streak to six games. The Pirates are 8-1 on their current West Coast road trip. Robinson (2-1) was lifted after issuing a leadoff walk to Tim Lincecum in the

seventh. Ron Scurry entered and pitched into the ninth, when Kent Tekulve notched his ninth save.

Astros 3, Mets 1
In Houston, Dickie Thore drove in three runs with a double and an RBI grounder and Mike Scott pitched a six-hitter over 8½ innings, leading the Astros to their fifth straight victory, 3-1 over New York. Mike Torres (5-11) took the loss as the Mets suffered their 13th loss in their last 16 games.

Cardinals 9, Giants 3
In San Francisco, Lonnie Smith drove in three runs with a pair of singles and Andy Van Slyke added two RBI doubles to pace St. Louis to a 9-3 victory over the Giants. A home run by Mike May gave the Cardinals a 3-0 lead in the fourth. But Ken Oberkfell's two-run homer in the fifth started the Cardinals' comeback.

Dodgers 7, Cubs 4
In Los Angeles, Pedro Guerrero drove in five runs with a triple and three singles and Fernando Valenzuela went on for the first time since June 13 as the Dodgers whipped Chicago, 7-4. Valenzuela (9-5), winless in his last five starts, gave up 12 hits while striking out six and walking four in 8½ innings.

Yankees 3, Rangers 1
In the American League, in New York, rookie left-hander Ray Fontenot combined with Rich Gossage on a seven-hitter that lifted the Yankees to a 3-1 victory over Texas. Fontenot (2-0) struck out five and walked one in his longest outing of the season. He was relieved by Gossage after the first two batters reached base in the eighth.

A's 12, Red Sox 5
In Boston, Wayne Gross, Ricky Henderson and pinch hitter Gary Hamock doubled during a four-

run seventh-inning off reliever Bob Stanley, enabling the A's to overpower the Red Sox, 12-5, and snap a six-game losing streak. The A's had lost nine straight to Boston and 20-of-21 games in Fenway Park.

Blue Jays 7, White Sox 5
In Chicago, Jesse Barfield's single with two out in the ninth inning broke a 4-4 tie and Willie Upshaw followed with a two-run home run to lead Toronto to a 7-5 victory over the White Sox. The Blue Jays have won 8 of their last 9 games.

Angels 8, Orioles 5
In Baltimore, Bobby Clark highlighted a five-run fifth inning with a three-run homer, helping California snap a five-game losing streak with a 6-5 triumph over the Orioles. Geoff Zahn (6-4) survived a shaky start to go 8½ innings for his first victory since coming off the disabled list July 11.

Brewers 5, Twins 0
In Milwaukee, Jim Gantner, Paul Molitor, Robin Yount and rookie Bill Schroeder hit home runs and Mooses Haas hurled a three-hitter in pacing the Brewers to their fifth straight victory, 5-0 over Minnesota. Schroeder (1-0) struck out two batters since being called up Tuesday from Vancouver of the Pacific Coast League.

Indians 17, Royals 3
In Cleveland, Ron Hassey, Manny Trillo, Gorman Thomas and Pat Tabler hit home runs and the Indians scored seven runs in the seventh inning on the way to overpowering Kansas City, 17-3.

Mariners 1, Tigers 0
In Seattle, Dave Henderson's two-out double in the ninth scored Jim Malar from first base and lifted the Mariners to a 1-0 victory over Detroit. Mike Moore (1-3) struck out a career-high nine in his second career shutout.

Friday and Saturday Line Scores

FRIDAY'S RESULTS
AMERICAN LEAGUE
California 3, Boston 1
Detroit 4, New York Yankees 3
Houston 3, Texas Rangers 1
Los Angeles 7, Chicago Cubs 4
Milwaukee 3, St. Louis Cardinals 1
Minnesota 9, Cincinnati 3
New York Yankees 3, Toronto 1
Seattle 12, Boston 5
Texas 3, Houston 1
Toronto 1, New York Yankees 3
Washington 5, Philadelphia 3
White Sox 5, Chicago 1
Yankees 3, Red Sox 5

NATIONAL LEAGUE
Atlanta 6, Montreal 3
Baltimore 3, Philadelphia 1
Cincinnati 9, St. Louis Cardinals 3
Cleveland 3, Pittsburgh 2
Colorado 3, San Francisco 1
Cubs 4, Los Angeles 7
Dodgers 7, Chicago 4
Expos 3, Atlanta 6
Giants 3, San Francisco 1
Mariners 1, Seattle 0
Pirates 3, San Diego 2
Reds 3, Philadelphia 1
Rangers 1, Houston 3
Royals 3, Kansas City 17
Tigers 0, Seattle 1
Twins 0, Milwaukee 5
Yankees 3, Toronto 1



Alain Prost

Prost Takes Grand Prix Event

Compiled by Our Staff From Dispatches
SILVERSTONE, England — Frenchman Alain Prost, driving a Renault turbo, took the lead on lap 20 and held on to win the British Grand Prix here Saturday, increasing his lead in the 1983 world championship standings.

Prost became the first Frenchman to win the British event since 1977, and Renault became the first turbo-charged car to win the race.

Driving faultlessly on a sun-drenched afternoon, Prost took the checkered flag just over 19 seconds ahead of 1981 world champion Brazilian Nelson Piquet's Brabham-BMW turbo.

France's Patrick Tambay was third in a Ferrari turbo, followed by Nigel Mansell of Britain in the first outing for the new Lotus 94T, also with a Renault turbo engine, and René Arnoux in the other Ferrari.

Two-time world champion Niki Lauda of Austria was sixth in a Cosworth-powered McLaren — the top non-turbo finisher.

With more than 100 extra horse-

power than conventional three-liter engines, although only 1.5 liters, the turbo cars have greater straight-line speed and can afford to run bigger rear wings to improve cornering.

The last Frenchman to win a Grand Prix on British soil was Robert Benoit, who won on the old Brooklands circuit in 1927, 23 years before the world Formula One championship began.

The top three drivers also occupy the first three positions in the 1983 world standings. Prost with 39 points to 33 for Piquet and 31 for Tambay.

Reigning world champion Keke Rosberg, Finland, starting from 13th, he was never better than 11th, where he finished in his Williams-Cosworth. He retains 25 points in fourth place in the championship.

For Prost, who averaged 139.218 miles per hour (224.11 kph) for the race, it was his third victory of the 1983 season, following successes in France and Belgium.

Prost, who had set the fastest

time in practice Thursday but was relegated to third place on the grid by the Ferrari Friday, to a second place from Arnoux on the 13th lap and on the 20th lap captured the lead, which he never lost except for a pit stop.

Although both Ferraris finished among the points, the team's bid to win its first British Grand Prix for 25 years was thwarted by what appeared to be tire problems. The Ferraris' cross-ply tires were not as well suited to the torrid conditions and pace as the radials on the Renault.

There were few major incidents, and 17 of the 26 starters completed the 67-lap (196.44-mile) race, although there was early disappointment for the Brabham. Renault and Lotus teams.

American Eddie Cheever's turbo-charged Renault dropped out on the fourth lap, Riccardo Pairelli retired his Brabham with a broken turbo on the ninth lap and the new turbo-charged Lotus of Italian Elmo de Angelis, which looked so impressive in qualifying, encountered trouble on the first lap.

Prost, the first man to do an official 150 mph qualifying lap here, set an official lap record on the 32nd circuit, clocking 1:42.21 for an average speed of 142.23 mph.

Mansell came from 18th place on the grid to finish fourth in his new Renault-powered turbo Lotus.

"It was a great race for me," he said. "But it was an even greater achievement for the Lotus team and, in particular, by mechanics who have worked so hard building the new car over the past five weeks."

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A Weighty Decision Leaves Muhammad in Suspension

WASHINGTON — It was supposed to be the District of Columbia's first title fight in 42 years. Instead it was a fiasco. Eddie Mustafa Muhammad never fought Michael Spinks for the light heavyweight title and on Saturday he was suspended by the District of Columbia Boxing and Wrestling Commission. Several other state boxing commissions indicated they may follow suit.

"In 52 years of being in boxing, I've never witnessed anything compared to this performance," said Eddie Futch, Spinks' manager.

Four hours before fight time, Spinks called off the match after it was downgraded to a 10-rounder — with sharply reduced purses — because Muhammad was overweight. The underweight champion said he didn't want to meet Muhammad in a non-title bout because it would "be stooping to his level."

Corn Wilds, chairman of the commission, announced the action against Muhammad. "We have suspended him indefinitely," he said. "And we will send formal notification to all of the commissions Monday and to him that he has been suspended indefinitely from getting a license or boxing in Washington, D.C., and if honored by the other commissions, and it will be, in the United States."

At Friday morning's weigh-in Muhammad tipped the scales at 177½, which was 2½ pounds over the weight-class limit. He was given two hours to lose the excess, but instead headed for a dining room and ate. He maintained that he was 175 pounds and that the scales had been tampered with.

Even his trainer, Wali Muhammad, said Muhammad "blew a golden opportunity" by not even trying to lose the weight to be eligible for a title shot.

In the end, Spinks lost a \$1 million payday. Muhammad lost a \$250,000 check and fight promoter Butch Lewis said he was out an estimated \$200,000.

Officials of both the World Boxing Association, which had sanctioned the fight, and the World Boxing Council, said they would drop Muhammad, 31, from their rankings.

Representatives from state boxing commissions in Nevada, Pennsylvania, New Jersey and Rhode Island, indicated they would take similar action, leaving Muhammad's future uncertain.

Salnikov: Champion in Control

By Gary Libman
New York Times Service

LOS ANGELES — After Vladimir Salnikov set a world record in the 800-meter freestyle at an international swimming meet here Thursday, he was approached shyly by a man who had been standing quietly nearby as Salnikov talked to reporters.

"Excuse me," said Mark Spitz, slowly extending his hand. "I wanted to introduce myself. It's a pleasure to watch you swim. And I'm glad I'm not swimming now. You're too strong."

That commendation from Spitz, who won seven gold medals at the 1972 Olympics in Munich, showed how the 23-year-old Soviet star has dominated distance freestyle swimming for six years. He holds world records in the 400, 800 and 1,500 meters; he won the gold medal in the 400 and 1,500 at the 1980 Olympics and won last year's world championships. He will thus be a strong favorite in those events at next year's Olympics here.

Salnikov, whose father is a sea captain and whose mother is a furniture designer, did not make much of an impression as a beginning swimmer. He first tried to learn to swim in a river near his grandmother's home in rural Novgorod. He was 6 years old. He recalled that he had not done well and that his playmates, who were better, had ridiculed the visiting city boy from Leningrad.

At 8 he tried to learn again in a pool, but stopped after three attempts because of earaches. But a short time later, when a coach visited his school and asked if anyone wanted to learn how to swim, Salnikov volunteered.

At 10 he had surgery to correct ear and nose problems, and since then began to swim faster, showing his country friends a thing or two.

Coaches and officials say that Salnikov, who swims an average of about 65 miles a week, has built his career on hard work.

"Our kids are looking for an easy way out too often now," said Trevor Tiffany, the head Canadian coach. "This guy doesn't."

"He is typified by his ability to control the race at a very fast level," said Ray Essick, the executive director of U.S. Swimming, the governing body of amateur swimming in America.

"Sometimes at 1,500 meters he'll only deviate .02 or .03 per cent 100 meters. You can almost predict his time from his first 100 meters because of his ability to maintain a pace all the way through."

"And there he's a tremendous finisher. He's able to maintain all the way through and he calls on that last spurt."

Salnikov's endurance and strong pace were in evidence Thursday when he set the record. He beat second- and third-place Americans, Tony Corbiero and Jeff Kostoff, by 20 meters — almost half the length of the pool.

Racing with little competition and with little encouragement from the crowd, he lowered his world mark of 7 minutes 52.83 seconds a half-second to 7:52.33.

"Sometimes I swim fast and I can't understand why," Salnikov said. "But it's because I had hard training before."

He came to the meet here not to seek records but to test the new \$4 million Olympic pool. He said he expected his chief competition at the Olympics to come from Kostoff and Sven Lodziewski of East Germany.

But according to Spitz, Salnikov's long domination of his events, his extensive international and Olympic experience and his confidence will make him almost unbeatable next year.

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